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| Section 1: Microeconomics**1.1 Competitive markets: Demand and supply** |
|  |  |  |  | **1.1 Competitive markets: Demand and supply** |  |  |  |  |  |
| **Markets** |
| **1** |  |  | The nature of markets | Outline the meaning of the term market. | Blink c 1+ c2 | **Example** | **U-tube** | **2** | **100-114** |
| **Demand** |
| **2** |  |  | The law of demand | * Explain the negative causal relationship between price and

 quantity demanded.* Describe the relationship

 between an individual consumer’s demand and market demand. | Blink c 1+ c2 | **Example** | **U-tube**[PAJ](http://www.youtube.com/playlist?list=PL85865CBB7B1E6C85) | **3** | **229** |
| **3** |  |  | The demand curve | * Explain that a demand curve represents the relationship between the price and the quantity demanded of a product, *ceteris paribus*.
* Draw a demand curve.
 | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **110** |
| **4** |  |  | The non-pricedeterminants ofdemand (factors thatchange demand or shiftthe demand curve) | * Explain how factors including changes in income (in the cases of normal and inferior goods), preferences, prices of related goods (in the cases of substitutes and complements) and demographic changes

 may change demand. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **229****229** |
| **5** |  |  | Movements along andshifts of the demandcurve | * Distinguish between

movements along the demandcurve and shifts of the demandcurve.* Draw diagrams to show

the difference betweenmovements along the demandcurve and shifts of the demandcurve. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **229**(**235**) worksheetin red |
| **ITEM** | **sl**  | **hl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | **Reading** | **Example** | **U-tube** | **W e** **i****gh****t** | **W****e****b****n****o****t****e** |
| **6****HL****(only)** |  |  | Linear demandfunctions (equations),demand schedules andgraphs | • Explain a demand function(equation) of the formQd = a – bP.• Plot a demand curve from alinear function(eg. Qd = 60 – 5P).• Identify the slope of thedemand curve as the slopeof the demand functionQd = a – bP, that is –b(the coefficient of P).• Outline why, if the “a” termchanges, there will be a shift ofthe demand curve.• Outline how a change in “b”affects the steepness of thedemand curve. | Blink c 3 | **Example** | **U-tube** | **3** |  |
| **Supply** |
| **7** |  |  | The law of supply | * Explain the positive causal

relationship between price andquantity supplied.* Describe the relationship

between an individualproducer’s supply and marketsupply. | Blink c 1+ c2 | **Example** | **U-tube**[PAJ](http://www.youtube.com/playlist?list=PL85865CBB7B1E6C85) | **3** | **228** |
| **8** |  |  | The supply curve | * Explain that a supply curve

represents the relationshipbetween the price and thequantity supplied of a product,*ceteris paribus*.* Draw a supply curve.
 | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **111** |
| **9** |  |  | The non-pricedeterminants of supply(factors that changesupply or shift thesupply curve) | * Explain how factors including

changes in costs of factorsof production (land, labour,capital and entrepreneurship),technology, prices of relatedgoods (joint/competitivesupply), expectations, indirecttaxes and subsidies and thenumber of firms in the marketcan change supply. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **228****228** |
| **10** |  |  | Movements along andshifts of the supplycurve | • Distinguish betweenmovements along the supplycurve and shifts of the supplycurve.• Construct diagrams to showthe difference betweenmovements along the supplycurve and shifts of the supplycurve. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **228****(236)**worksheetin red |
| **11****HL****(only)** |  |  | Linear supply functions,equations and graphs | * Explain a supply function

(equation) of the formQs = c + dP.• Plot a supply curve from alinear function (eg, Qs = –30 +20 P).• Identify the slope of the supplycurve as the slope of thesupply function Qs = c + dP,that is d (the coefficient of P).• Outline why, if the “c” termchanges, there will be a shift ofthe supply curve.• Outline how a change in “d”affects the steepness of thesupply curve. | Blink c 3 | **Example** | **U-tube** | **3** |  |
| **Market equilibrium** |
| **12** |  |  | Equilibrium andchanges to equilibrium | * Explain, using diagrams, how demand and supply interact to produce market equilibrium.
* Analyse, using diagrams

and with reference to excessdemand or excess supply, howchanges in the determinants ofdemand and/or supply result ina new market equilibrium. | Blink c 1+ c2 + c3 | **Example** | **U-tube** | **3** | **108****(262)**worksheetin red |
| **13****HL****(only)** |  |  | Calculating andillustrating equilibriumusing linear equations | Calculate the equilibrium priceand equilibrium quantity fromlinear demand and supplyfunctions.• Plot demand and supplycurves from linear functions,and identify the equilibriumprice and equilibrium quantity.• State the quantity of excessdemand or excess supply inthe above diagrams. | Blink c 3 | **Example** | **U-tube** | **3** |  |

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| **The role of the price mechanism** |
| **14** |  |  | Resource allocation | * Explain why scarcity

necessitates choices thatanswer the “What to produce?”question.• Explain why choice results inan opportunity cost.• Explain, using diagrams, thatprice has a signaling functionand an incentive function,which result in a reallocation ofresources when prices changeas a result of a change indemand or supply conditions. | Blink c 1+ c2 | **Example** | **U-tube** | **4** | **108****104****102** |
| **Market efficiency** |
| **15** |  |  | Consumer surplus | * Explain the concept of

consumer surplus.* dentify consumer surplus on a demand and supply diagram.
 | Blink c 1+ c2 | **Example** | **U-tube**[PAJ](http://www.youtube.com/watch?v=qTxniCLYgok)[PAJ](http://www.youtube.com/watch?v=vQgjpRQ5wxI) | **3** | **106** |
| **16** |  |  | Producer surplus | * Explain the concept of

producer surplus.* Identify producer surplus on a demand and supply diagram.
 | Blink c 1+ c2 | **Example** | **U-tube**[PAJ](http://www.youtube.com/watch?v=MinxczZXtKA) | **3** | **106** |
| **17** |  |  | Allocative efficiency | * Explain that the best allocation of resources from society’s point of view is at competitive market equilibrium, where social (community) surplus (consumer surplus and producer surplus) is maximized (marginal benefit = marginal

 cost). | Blink c 1+ c2 | **Example** | **U-tube** | **4** | **104****106****267** |
| **TOK****Theory of knowledge: potential connections**To what extent is it true to say that a demand curve is a fictional entity?What assumptions underlie the law of demand? Are these assumptions likely to be true? Does itmatter if these asssumptions are actually false? |