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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-price  determinants of  demand (factors that  change demand or shift  the 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 and  shifts of the demand  curve | * Distinguish between   movements along the demand  curve and shifts of the demand  curve.   * Draw diagrams to show   the difference between  movements along the demand  curve and shifts of the demand  curve. | 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 demand  functions (equations),  demand schedules and  graphs | • Explain a demand function  (equation) of the form  Qd = a – bP.  • Plot a demand curve from a  linear function  (eg. Qd = 60 – 5P).  • Identify the slope of the  demand curve as the slope  of the demand function  Qd = a – bP, that is –b  (the coefficient of P).  • Outline why, if the “a” term  changes, there will be a shift of  the demand curve.  • Outline how a change in “b”  affects the steepness of the  demand curve. | Blink c 3 | **Example** | **U-tube** | **3** |  |
| **Supply** | | | | | | | | | |
| **7** |  |  | The law of supply | * Explain the positive causal   relationship between price and  quantity supplied.   * Describe the relationship   between an individual  producer’s supply and market  supply. | 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 relationship  between the price and the  quantity supplied of a product,  *ceteris paribus*.   * Draw a supply curve. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **111** |
| **9** |  |  | The non-price  determinants of supply  (factors that change  supply or shift the  supply curve) | * Explain how factors including   changes in costs of factors  of production (land, labour,  capital and entrepreneurship),  technology, prices of related  goods (joint/competitive  supply), expectations, indirect  taxes and subsidies and the  number of firms in the market  can change supply. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **228**  **228** |
| **10** |  |  | Movements along and  shifts of the supply  curve | • Distinguish between  movements along the supply  curve and shifts of the supply  curve.  • Construct diagrams to show  the difference between  movements along the supply  curve and shifts of the supply  curve. | 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 form  Qs = c + dP.  • Plot a supply curve from a  linear function (eg, Qs = –30 +  20 P).  • Identify the slope of the supply  curve as the slope of the  supply function Qs = c + dP,  that is d (the coefficient of P).  • Outline why, if the “c” term  changes, there will be a shift of  the supply curve.  • Outline how a change in “d”  affects the steepness of the  supply curve. | Blink c 3 | **Example** | **U-tube** | **3** |  |
| **Market equilibrium** | | | | | | | | | |
| **12** |  |  | Equilibrium and  changes to equilibrium | * Explain, using diagrams, how demand and supply interact to produce market equilibrium. * Analyse, using diagrams   and with reference to excess  demand or excess supply, how  changes in the determinants of  demand and/or supply result in  a new market equilibrium. | Blink c 1+ c2 + c3 | **Example** | **U-tube** | **3** | **108**  **(262)**  worksheetin red |
| **13**  **HL**  **(only)** |  |  | Calculating and  illustrating equilibrium  using linear equations | Calculate the equilibrium price  and equilibrium quantity from  linear demand and supply  functions.  • Plot demand and supply  curves from linear functions,  and identify the equilibrium  price and equilibrium quantity.  • State the quantity of excess  demand or excess supply in  the 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 that  answer the “What to produce?”  question.  • Explain why choice results in  an opportunity cost.  • Explain, using diagrams, that  price has a signaling function  and an incentive function,  which result in a reallocation of  resources when prices change  as a result of a change in  demand 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 it  matter if these asssumptions are actually false? | | | | | | | | | |