

ECO 2023 – PRINCIPLES OF MICROECONOMICS
CHAPTER LEARNING OBJECTIVES

CHAPTER 3
SUPPLY AND DEMAND

The Micro Economy Today, 11th edition by Bradley R. Schiller

As you read through Chapter 3 of the assigned textbook, use these objectives as a guide for note taking. Yes, I really expect you to read this chapter! Yes, I really expect you to take notes on what you are reading about within this chapter! That's how you LEARN new subject material! Provide an "answer" to each of the learning objectives listed below, and then cross-reference this list with the in-class lecture notes that you've taken on this chapter. Of course there will be some overlap in the coverage of topics! If it's important for you to know after reading this chapter, then it's on the list below. Remember, I use the lecture period to highlight super-important concepts and to relate them to current events. You HAVE TO read along in the textbook if you want to acquire all of the information you will need for testing purposes!

After a careful reading of Chapter 3, the student is expected to be able to:

- (1) Identify the FOUR major market participants.
- (2) Describe the goal of each of the FOUR major market participants.
- (3) Discuss the TWO reasons why people CHOOSE to participate in markets.
- (4) Explain the activities taking place within the two broad markets that compose the Circular Flow of Income model; meaning, understand who is on the buying side and who is on the selling side in each of these markets.
- (5) Define the term *Factor Market*.
- (6) Define the term *Product Market*.
- (7) Define the term *opportunity cost*.
- (8) Explain what an economist means when she uses the term "a market".
- (9) Explain what is involved in every market transaction.
- (10) Understand what, according to economists, is necessary for a consumer to have demand for a product.
- (11) Explain the Law of Demand.

- (12) Given sufficient information regarding price and quantity demanded, graph the demand curve for a product.
- (13) List the FIVE Determinants of Demand and give an example of each.
- (14) Explain how each Determinant of Demand could cause an “increase in demand” and a “decrease in demand” for a particular good or service.
- (15) Define the term *substitute good*.
- (16) Define the term *complementary good*.
- (17) Explain how the *ceteris paribus* assumption applies to the Law of Demand.
- (18) Explain the difference (both with words and a graph) between a movement along the demand curve for a product and a shift of the demand curve for a product.
- (19) Understand the difference between individual demand for a product and the market demand for a product.
- (20) Given sufficient numerical data on individual demand, be able to construct market demand for a product.
- (21) Understand what, according to economists, is necessary for the supply of a product to exist.
- (22) Explain the Law of Supply.
- (23) Given sufficient information regarding price and quantity supplied, graph the supply curve for a product.
- (24) List the SIX Determinants of Supply and give an example of each.
- (25) Explain how each Determinant of Supply could cause an “increase in supply” and a “decrease in supply” for a particular good or service.
- (26) Explain the difference (both with words and a graph) between a movement along the supply curve for a product and a shift of the supply curve for a product.
- (27) Understand the difference between individual supply of a product and the market supply of a product.
- (28) Given sufficient numerical data on individual supply, be able to construct market supply for a product.
- (29) Understand the concept of equilibrium, how it is established within a market and why markets tend to move toward equilibrium.
- (30) Define the term *equilibrium price*.

(31) Define the term *market mechanism*.

(32) Define, compute and illustrate a market surplus.

(33) Define, compute and illustrate a market shortage.

(34) Describe the effects on the equilibrium price (P^*) and equilibrium quantity (Q^*) from any shift of demand or supply.

(35) Explain how the WHAT, HOW and FOR WHOM questions are resolved by the market mechanism.

(36) Explain why the equilibrium outcome in a market is described as optimal, but not perfect.

NOTE: We will pick up the discussion of Price Ceilings and Price Floors in our next unit of material. At this particular time, you may omit those topics from your study.