

Unit 2: Microeconomics

Unit Focus: In this unit, students will demonstrate their knowledge of Microeconomic concepts by applying the standards through the themes. Using the theme of Gain from Trade, students will give examples from their on-line company illustrating how specialization provided greater satisfaction to their customers, their business and its investors. Incorporating the theme of Incentives, students will analyze their data to set production levels, target consumers and reinvest any profit. Drawing upon the theme of Interdependency, students will illustrate and explain a market graph for their industry and a graph of their firm's current output and market price. They will also illustrate how a government imposed price ceiling and an increase in the minimum wage could affect their company's costs, profits, and/or production. Employing the theme of Scarcity, the student will apply the concept of elasticity to explain the effect of time, competition and price changes on the quantity of product demanded by consumers.

Understanding the Standards

Underline all people, terms, or events that you think are important to remember. Circle all the ways you will prove your mastery of the standard.

SSEMI1 The student will describe how households, businesses, and governments are interdependent and interact through flows of goods, services, and money.

- a. Illustrate by means of a circular flow diagram, the Product market; the Resource (factor) market; the real flow of goods and services between and among businesses, households, and government; and the flow of money.
- b. Explain the role of money as a medium of exchange.

SSEMI2 The student will explain how the Law of Demand, the Law of Supply, prices, and profits work to determine production and distribution in a market economy.

- a. Define the Law of Supply and the Law of Demand.
- b. Describe the role of buyers and sellers in determining market clearing price.
- c. Illustrate on a graph how supply and demand determine equilibrium price and quantity.
- d. Explain how prices serve as incentives in a market economy.

SSEMI3 The student will explain how markets, prices, and competition influence economic behavior.

- a. Identify and illustrate on a graph factors that cause changes in market supply and demand.
- b. Explain and illustrate on a graph how price floors create surpluses and price ceilings create shortages.
- c. Define price elasticity of demand and supply.

SSEMI4 The student will explain the organization and role of business and analyze the four types of market structures in the U.S. economy.

- a. Compare and contrast three forms of business organization—sole proprietorship, partnership, and corporation.
- b. Explain the role of profit as an incentive for entrepreneurs.
- c. Identify the basic characteristics of monopoly, oligopoly, monopolistic competition, and pure competition.