

SSEMI 2: Supply and Demand (Unit 3, Assessment 2, Note taking guide)

Explain how the law of demand, law of supply, and prices work together to determine production and distribution in a market economy.

SSEMI2: a

Define the Law of Supply and Law of Demand

LT: Supply (Producers)

Law of Supply

*Producers must be convinced that producing the good will make them \$\$\$\$\$. They have no incentive to produce a product that will cost them more to produce than the amount for which they can sell it.

Supply Curve (Draw the Curve)

Demonstrates the relationship between price and supply.

LT: Demand (Consumers)

Demand

Law of Demand

*consumers will only demand/but a product for which they have a need or want and that is set at a price they are willing and able to pay

Demand Curve (Draw the Demand Curve)

Shows the relationship between price and demand.

Law of Supply and Demand

SSEMI2.b

Distinguish between Supply and quantity supplied, and demand and Quantity demanded.

SSEMI2: b

Describe the role of Buyers and Sellers in determining Market Clearing Price

LT: Demand vs. Quantity Demanded (hand out)

LT: Supply vs. Quantity Supplied (Hand out)

Demand

DIFFERENT THAN QUANTITY DEMANDED

QUANTITY DEMANDED –

Essential components

Y axis = _____

X axis = _____

AXES MATTER!

Demand line = _____

Law of Demand:

Why?

Supply

DIFFERENT THAN QUANTITY SUPPLIED

QUANTITY SUPPLIED – _____

Supply Graph

Essential components

Y axis = _____

X axis = _____

Supply line = _____

Law of Supply

Why?

DEMAND SHIFTS

Price

IF ALL THAT CHANGES IS _____, then _____ or SUPPLIED CHANGES!!!!!!!!!!

SSSEMI2.C

Describe the role of buyers and sellers in determining market clearing price (i.e. equilibrium).

Clearing Market Price (Draw the graph)

When companies _____

SSEMI2:d

c. Illustrate on a graph how supply and demand determine equilibrium price and quantity. Equilibrium Price

Equilibrium Price _____

The idea that _____

When Demand _____

Change in equilibrium price and _____

As quantity _____

SSEMI2: e

Identify the determinants (Shifters) of supply (e.g. changes in costs of productive resources, government regulations, number of sellers, producer expectations, technology, and education) and illustrate the effects on a supply and demand graph.

LT: G.R.E.N.T

Determinants of Supply (shift the Entire Line)

RIPEN and GRENT

“Determinants of Supply and Demand”

*These are the items that cause a shift in the demand curve/ or supply curve!

SSEMI2.f

Identify the determinants (Shifters) of demand (e.g. changes in related goods, income, consumer expectations, preferences/tastes, and number of consumers) illustrate the effects on a supply and demand graph.

LT: R.I.P.E.N

Determinants of Demand

(Things that shift the entire line!)

Factors that cause Changes

GRENT, RIPEN, 5.3 and 5.5 Reading notes.

SSEMI 2: g

g. Explain and illustrate on a graph how price set to high (price floors) create surpluses and price set to low (Price ceilings) create shortages.

Price Floors

Is the minimum allowable price _____

Surplus are noticed on a graph (Draw a graph)

When the demand is above the equilibrium price... _____

Price Ceiling (Draw a graph)

The Highest price that can be charged for a particular good or service.

Shortage

A price below equilibrium results in a shortage of goods. Price Ceiling can lead to a shortage, because the demand maybe high but the supply low.