

Unit 3: Microeconomics

Topics of Study

- I: Demand (Chapter 4)
- II: Supply (Chapter 5)
- III: Prices (Chapter 6)
- IV: Market Structures (Chapter 7)
- V: Market Failures (Chapter 7)
- VI: Role of Government (Chapter 7)



ID's

Microeconomics	Change in Demand	Law of Supply
Law of Demand	Perfect Competition	Inputs
Substitution effect	Monopoly	Subsidies
Income Effect	Monopolistic Competition	Change in Supply
Diminishing Marginal Utility	Externalities	Supply Elasticity
Substitute	Laissez-Faire	Prices
Complement	Price Floor	Equilibrium Price
Elastic Demand	Oligopoly	Shortage
Inelastic Demand	Diminishing Returns	Surplus
Unit elastic Demand	Public Disclosures	Price Ceiling
Fixed Costs	Variable Costs	Total Costs/Revenue

Essential Questions

1. What is the difference between change in quantity demanded and change in demand?
2. In what 3 ways can the Law of Demand be explained?
3. In what 5 ways can there be a change in Demand? How are these changes graphed?
4. What 3 questions need to be asked to determine if a product has elastic or inelastic demand?
5. What is the difference between a change in quantity supplied and change in supply?
6. What can cause a shift in the supply curve? How are these shifts graphed?
7. Why might the supply of a product be elastic or inelastic?
8. What are the advantages of using a pricing system?
9. What is meant by equilibrium price? How do events change equilibrium prices? (be able to graph the changes)
10. What causes market shortages and market surpluses?
11. Why does government sometimes impose a price ceiling or a price floor? How do these affect the market? (be able to graph them)
12. What are the 3 stages of Production?
13. What is the difference between a fixed cost and a variable cost? Why are these costs important for a business to calculate total profit?
14. What are the differences between the 4 major market structures (Perfect Competition, Oligopoly, etc..)?
15. What are the 4 types of Monopolies?
16. What is game theory? How does game theory and the prisoner's dilemma apply to oligopolies?
17. What are positive and negative externalities?