GreatHearts
Irving

# Remote Learning Packet

*NB: Please keep all work produced this week. Details regarding how to turn in this work will be forthcoming.*

**March 30 - April 3, 2020**

**Course**: 10 Economics

**Teacher(s)**: Mr. Loomis joseph.loomis@greatheartsirving.org

**Weekly Plan**: (140 mn)

Monday, March 30 (20mn)

- ❏ Review demand and supply curves

Tuesday, March 31(20mn)

- ❏ Read and annotate new material on the supply and demand process

Wednesday, April 1(20mn)

- ❏ Review yesterday's readings
- ❏ Supply and demand assignment

Thursday, April 2 (20mn)

- ❏ Finish supply and demand assignment
- ❏ Read and annotate *Changing Market Conditions*

Friday, April 3 (20mn)

- ❏ Review *Changing Market Conditions*
- ❏ Review Changes in Demand and Supply respectively
- ❏ Changing Market Conditions writing assignment

## Statement of Academic Honesty

I affirm that the work completed from the packet is mine and that I completed it independently.

I affirm that, to the best of my knowledge, my child completed this work independently.

_______________________________

Student Signature

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Parent Signature

Notes:

1. For all of the following assignments the pages that are referenced from the textbook are provided as attachments. If you have your textbook, you can use that instead. When I ask you to read and annotate, what I mean is to take careful notes in your notebook when you come across relevant ideas. This can also mean working out problems as you go along. Avoid passive reading.
2. All supplements and answer keys start on p. 4 of this packet.

## Monday, March 30 (20 mn)

Review demand and supply, respectively.

- (10 mn) Review of demand
  - Review the following headings in your notes:
    - The Law of Demand
    - Demand and Quantity Demanded
    - Demand can Change
- (10 mn) Review of Supply:
  - We did not finish Supply, so it is understandable if you are still uncertain about how it works. Keeping that in mind I would like you to review the attached supplement on p. 4.

## Tuesday, March 31 (20 mn)

- (20 mn) Read and annotate pp. 99b-103b. Focus on the following questions while reading. Do not attempt to answer them yet, but let them focus your reading.
  - Do you see how the two concepts of Supply and of Demand come together in the graph on p. 100?
  - What does it mean for the market to be "fully coordinated?"
  - What is a surplus and what are its effects on price?
  - What is a shortage and what its effects on price?

## Wednesday, April 1 (20 mn)

- (5 mn) Briefly review yesterday's notes.
- (15 mn) Do the following exercise, which you can finish tomorrow if needed. Do not take too much time as you will also have to start another exercise tomorrow.
  - Turn to p.100 and look at graph 5-1.
  - Reproduce the *Price* and *Quantity of Acoustic Guitars* axes on a blank sheet of paper.
  - Reproduce the graph. Do this while asking yourself what you are representing and how the relationship between *Price* and *Quantity Demanded/Supplied* are interacting. Make sure that you are not just copying, but reverse engineering the diagram as best you can. Do it in the following order:

        - Demand curve
        - Supply curve
        - Equilibrium price
        - Surplus price
        - Shortage price
    - On the same piece of paper, using between 1 - 5 sentences per explanation, give an explanation for each of the following terms and the mechanism that underlies them. Think about what they represent as *phenomena*. Remember, all of these economic terms and graphs are representations of the interaction between real, not just theoretical, variables:
        - A market *Surplus* (p.100-101)
        - A market *Shortage* (p. 101-102)
        - A fully-coordinated market (p. 100)
        - An *Equilibrium Price*, also referred to as a *Market-Clearing Price*, (pp. 102-103)

## Thursday, April 2 (20 mn)

- (5 - 15 mn) Finish yesterday's assignment. Check your answers against the answer key on p. 5. Use this answer key as a guide.
- (5 - 10 mn) Read *Changing Market Conditions*, on p. 104.
- If you are done with both of the above, you can begin tomorrow's assignment until the 20 mn are over.

## Friday, April 3

- (3 - 5 mn) Review *Changing Market Conditions.*
- (15 - 17 mn) Briefly look over the following:
    - Review *Demand Itself can Change* (pp. 51-52).
    - *Supply Itself can Change* (pp. 82b-84b). We did not review this in class but it is essentially the same as changing demand. The main difference is that it is higher and lower marginal costs that cause the curve to shift, respectively, to the left and to the right (p. 83)
- Explain the two scenarios described on p.104. As the author tells us on p.103: "The economic way of thinking emerged in part to explain the phenomenon of market-clearing." In other words, it is the *phenomenon* that we are trying to understand through the use of these *principles*. Explain the following two scenarios on p. 104. Use the attached worksheet format on p.6 to guide you but reproduce the graph on a separate sheet of paper. Make sure to list out the steps in writing and to map them onto the Supply and Demand graphs as you are doing so.
    - Change in the supply of guitars (2nd full paragraph)
    - Change in the demand for guitars (3rd fp)
- Check your answers against the answer key on p. 7-8. Use this answer key as a guide to assessing your own responses.

**Supplements/Answer Keys**

## I. Supplement to the Supply Curve on pp. 81-82

The following is a paraphrase of what the authors conclude about the supply schedule and the supply curve on pp. 81-82. The *Law of Supply* (below) as such does not appear in the textbook and is my own reformulation, using the same words as the authors use for the *Law of Demand* (p. 50) After reviewing your supply schedule exercise (worksheet: *Costs and Supply, pp. 79-81)* read and annotate the following, making sure that you understand the underlined terms:

The three important conclusions that we can draw from the supply schedule exercise are:

1. Producers consider marginal costs of production when deciding upon what to supply and how much to supply.

2. Relative prices inform producers of their marginal costs and benefits.

3. The supply curve illustrates the alternative amounts of a good supplied at alternative prices [...] [they] are the marginal opportunity cost curves of making various quantities of a good available.

The Law of Supply: If the price of a good increases, all things constant, the quantity supplied will also increase, and vice-versa.

Make sure that you understand how the author arrives at the graph on p. 83 and what it is saying.

## I. Supply and Demand Answer Key

**A market surplus:**
A high market price of a good or service (one might ask here: compared to what?) can encourage suppliers to produce more, as we know from the law of supply. A higher price, however, also tends to discourage buyers from purchasing large quantities of that good. If suppliers are supplying more and buyers are not buying more, there emerges a surplus: "when the quantity supplied is greater than the quantity demanded." (p. 101t) As a result of this situation, suppliers tend to reduce their prices, which incentivizes buyers to buy more. Ultimately, the price of the good or service tends to level out at an equilibrium price.

**A market shortage:**
A low market price (same as above: compared to what?) can encourage buyers to buy more of a good or service, as we know from the law of demand. If buyers want to purchase more than the supplier has in stock, then the supplier will ultimately run out, and a shortage results: "when the quantity demanded is greater than the quantity supplied." (p. 101b) As a result, the buyers might be willing to purchase the same amount for a higher price, bidding up the price. From the law of supply we know that higher prices lead to more supply. The supplier might then raise his price until people are no longer willing to buy anymore. Ultimately, this process would lead to an equilibrium price.

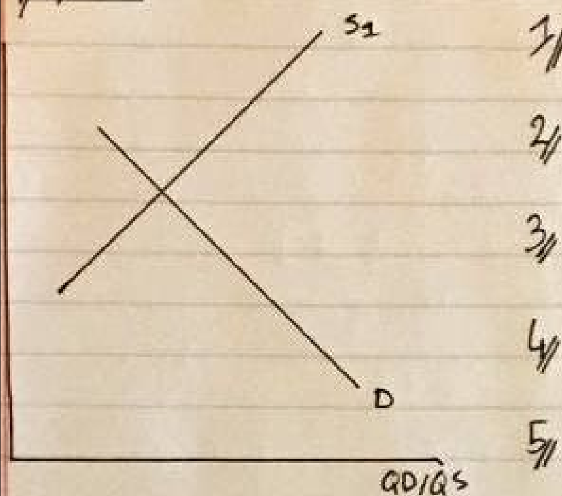
**A fully coordinated market:**
The market is fully coordinated when the suppliers are supplying as many goods and services as are being demanded by the buyers. This means that there is neither a shortage nor a surplus of these goods and services in the market. The two sides "agree" on a price that is a good reflection of what buyers are willing to spend and sellers are willing to provide.

**Equilibrium/Market-clearing price:**
The price that results from the market being "fully coordinated" is called the *Equilibrium Price* or *Market-Clearing Price.* It is named this way because it is neither falling because of a surplus, or rising because of a shortage. The market is thus referred to as being "clear."

## II. Change in Supply and Demand Worksheet

Change in Market Conditions of Accoustic Guitars

1// §2

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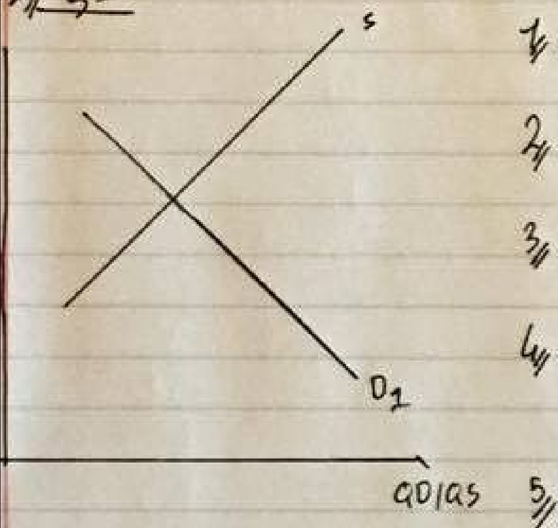
2// §3

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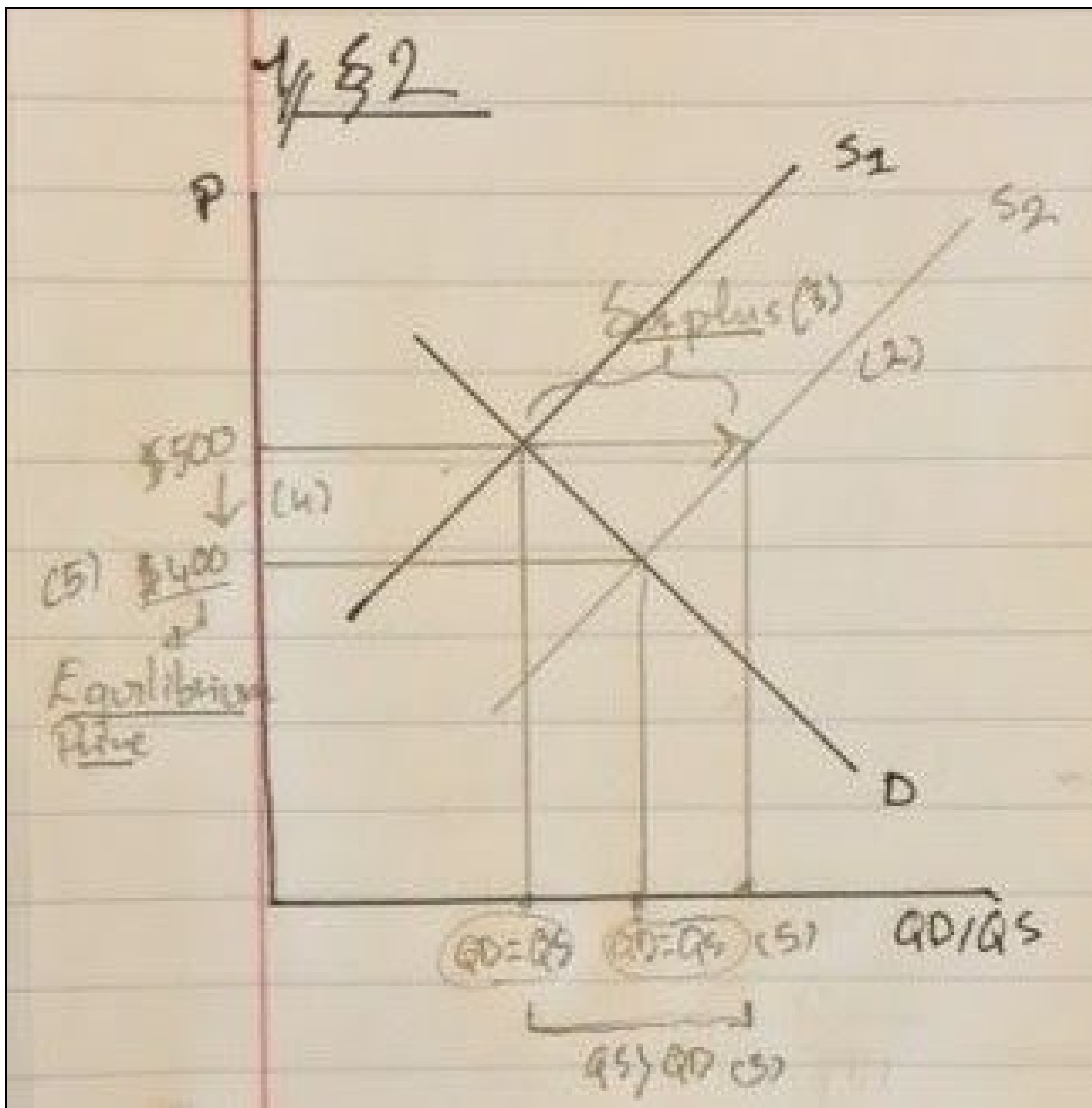
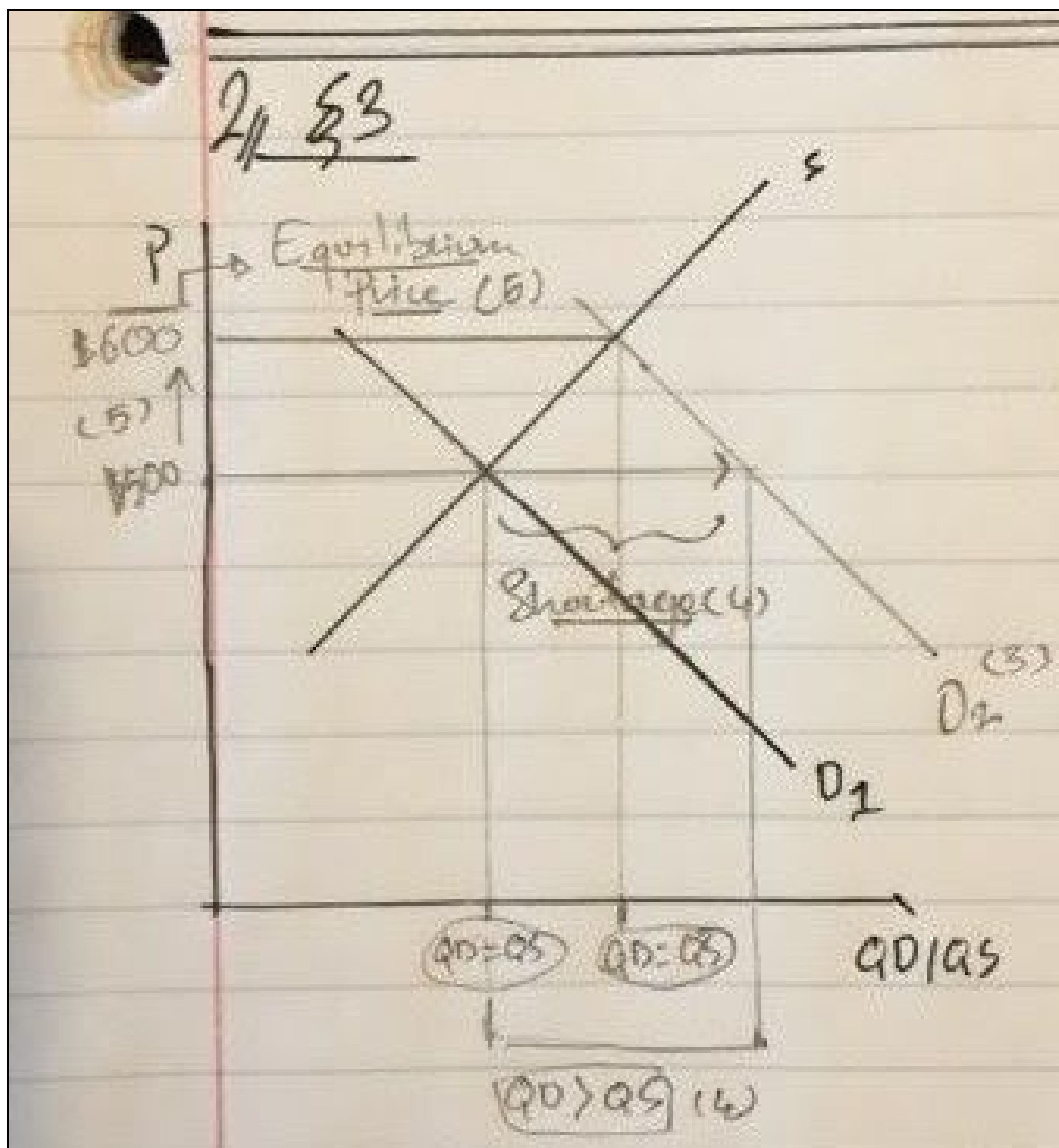
**III. Change in Supply and Demand Answer Key**

**1/ Shift in Supply**




1. The price of spruce falls, lowering the marginal opportunity cost of making guitars: more are produced at the same price.
2. The supply curve shifts to the right: S1 -> S2
3. If the price stays the same, a <u>surplus</u> emerges because buyers are not willing to purchase that many guitars. QS > QD
4. Suppliers cut their prices to get rid of the surplus.
5. A new, lower, price emerges, where the plans of buyers and of sellers are coordinated: the <u>equilibrium price.</u> QS = QD

**2/ Shift in Demand**




1. The price of electric guitars goes up.
2. Electric and acoustic guitars are good substitutes. Therefore, people start buying more acoustic guitars.
3. This raises the demand for acoustic guitars, shifting the demand curve to the right.
4. If the price stays the same, a shortage emerges because sellers are not incentivized to produce more if the price stays the same. QD > QS
5. An increase of demand raises the price that people are willing to pay. This increases the supply, and the plans of buyers and sellers eventually become fully coordinated, resulting in a new <u>equilibrium price</u>. QD = QS