Unit 2: Producing and Consuming

**Suggested Time Allowance:** 7 weeks (26 guided learning hours)

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| **Specification Content** | **Learning Outcomes** | **Teaching and Learning Activities** | **Resources** |
| **Demand, Supply,** **and Price Determination** | Students should be able to:* explain what is meant by a market and market forces;
* understand the role of prices and profits in a market economy and consider the moral, ethical and cultural issues involved in production for profit;
 | DiscussionWhat is meant by a market?*“A market exists where there are buyers of a good (Demand) and sellers of a good (Supply)”*What are the different ways in which buyers and sellers of products, commodities and factors of production are brought together? e.g. fruit market, stock market, department store, car boot sale, labour market, estate agents, e-Bay.What are market Forces?Explore the idea of the market forces of supply and demand by reference to recent examples of price changes in a range of markets, e.g. housing, oil, bread, gold or the transfer fees of professional footballers. What is it that is ‘forcing’ price up or down?Wars, hurricanes, wage increases, etc.Activity2.8 Food for Thought p.40Discuss the significance of such changes and the link with profits. Explain how the price mechanism performs both a ‘rationing’ and a ‘signalling’ function. Discuss whether it is appropriate to only provide goods and services which result in a private profit. | Thexton J.D (1995) *Made in Canada – Economics for Canadians*3rd edition, Oxford University Press, Chapter 6Moynihan and Titley (2007) *Economics – A Complete Course*, 3rd edition, Oxford University Press, pp. 39-41 |
| **Demand, Supply and Price Determination****(demand curves)** | Students should be able to:Apply the concepts of demand and supply to product, service and factor markets.Create their own demand curves and interpret the results | Ask students to derive their own monthly demand for a product at a range of prices and plot this on graph paper. This example could be developed to show the class (market) demand curve. (Demand Curves) PowerPoint discussion Discuss what factors, other than price, might cause this demand to change, e.g. incomes, tastes or the prices of other goods, and how this might be shown on the graph.ActivityStudents complete the Demand Curves worksheet.Review discussionSlides 5 to 10 | Moynihan and Titley (2007) *Economics – A Complete Course*, 3rd edition, Oxford University Press, pp. 42-45Demand Curves (word)Demand Curves worksheet (word)Unit II (ppt) |
| **Demand, Supply and Price Determination****(shift in demand curves)** | Students should be able to:apply the concepts of demand and supply to product, service and factor markets;Recognise factors that would lead to movement along the curve and an increase/decrease in demand,Recognise that some goods and services are jointly demanded, such as butter and margarine, or different brands of car, or tea or coffee. And how changes in the price of substitutes and compliments affect consumer demand for other products.  | DiscussionUsing the PowerPoint recap factors that can influence movement along the curve and an increase in demandActivity 2.11 (p.46)What causes a shift in demand?Introduce substitutes and complimentsWorksheet Activity“What causes a shift in demand?”PlenaryRead through pp.47-48 and check for understanding | Moynihan and Titley (2007) *Economics – A Complete Course*, 3rd edition, Oxford University Press, pp. 42-48What causes a shift in demand (word)Substitutes and compliments (pdf)Unit II (ppt) |
| **Equilibrium Price****Demand and Supply** | Students should be able to:* analyse how equilibrium price and quantity are established and affected by changes in demand and supply;
 | Remind the students that markets for a product consists of consumers and producers, therefore to understand how markets work they need to consider producers’ supply decisions and what affects them. What is profit?= the revenue a firm makes from sales minus production costs. It follows that as prices rise, production will become more profitable so producers are likely increase output.Supply (pdf)

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| Headline | Factors that affect supply |
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Reading: p.121-122.Activity: Supply Curve WorksheetStudents create their own supply curves and complete the activities. | Thexton J.D (1995) *Made in Canada – Economics for Canadians*3rd edition, Oxford University Press, pp.121-123Supply (pdf)<http://www.i-study.co.uk/Economics/Allocation_of_Resources.html>Unit II (ppt)Activities U2 (pdf) |
| **Supply, demand and equilibrium**  | Students should be able to:Demonstrate the principle of equilibrium price and analyse simple market situations witch changes n demand and supply. | Activity Explaining Market EquilibriumAs well as introducing the concept of equilibrium the activity also covers conditions of disequilibrium and why there will be pressure on prices and quantities to return to equilibrium.Students should now be able to complete(Activity: Supply, demand and equilibrium) by themselves. | Thexton J.D (1995) *Made in Canada – Economics for Canadians*3rd edition, Oxford University Press, pp.121-123Supply, demand and equilibrium worksheet (word)Explaining Market Equilibrium (word) |
| **Changes in market prices** | Students should be able to:Describe the causes of changes in demand and supply conditions and analyze such changes to show effects in the market | Activity 2.16, 2.18, 2.19As well as reinforcing the concept of market equilibrium, the activities also covers conditions of disequilibrium and why there will be pressure in prices and quantities to return to a position of equilibrium. Students will also examine the impact of a fall in demand and a fall in supply on market price and quantity traded.  | Moynihan and Titley (2007) *Economics – A Complete Course*, 3rd edition, Oxford University Press, p. 57 |
| **Price elasticity of demand** | Define price elasticity of demand and supply and perform simple calculationsDemonstrate the usefulness of price elasticity in particular situations such as revenue changes and consumer expenditure | Introduce PED***Elasticity of demand means the responsiveness of the quantity demanded to a change in price***Introduce the concept of price elasticity of demand. Ask students why it might be useful for firms to know by how much demand will respond of prices change, and why also governments may also want to know by how much demand may change for a product if they impose a tax on it. Possible answersThe concept of elasticity of demand helps to explain why governments have closely controlled prices over certain industries. For example, if there were no regulations energy and phone companies could increase their prices dramatically – without suffering a loss in the quantity demanded. Copy diagrams from p.117 (Thexton) or p.60 (Moynihan and Titley)Activity from slide 28 of Unit II | Moynihan and Titley (2007) *Economics – A Complete Course*, 3rd edition, Oxford University Press, p. 59-60Thexton J.D (1995) *Made in Canada – Economics for Canadians*3rd edition, Oxford University Press, p.117Unit II (word)Price Elasticity student copy (word) |
| **Price elasticity of Supply****Why and governments intervene in markets****The impact of taxes and subsides on market prices and quantities**  | Define price elasticity of demand and supply and perform simple calculationsDemonstrate the usefulness of price elasticity in particular situations such as revenue changes and consumer expenditure | Having completed exercised of PED students should be able to grasp the concept of PES quite quickly.Teacher led presentation from slides 30 to 33: Students work through the activities in the textbook for reinforcement.Homework TaskComplete worksheet 3 | Thexton J.D (1995) *Made in Canada – Economics for Canadians*3rd edition, Oxford University Press, p.128-9Moynihan and Titley (2007) *Economics – A Complete Course*, 3rd edition, Oxford University Press, p. 70-73Worksheet 3 (word) |
|  **Social Costs and Benefits** | Students should be able to:Define private and social costs and benefits.  | Using the presentation introduce the difference between private costs and benefits and external costs and benefits. Students come up with some examples in addition to those from the presentation (slides 36-42)From the reading students make definitions in their books of:External costs, private benefits, negative externalities, positive externalities. Social Costs and benefits = total social cost and total social benefit. Uneconomic and economic use of resourcesActivity 2.14**An economic or uneconomic use of resources??????**Students complete questions 1 to 5 in pairs, and then complete the group activity.Group Work

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| Directors  | Local Community |
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  | Moynihan and Titley (2007) *Economics – A Complete Course*, 3rd edition, Oxford University Press, p. 75-81Unit II (ppt) |
| **Social Costs and Benefits (cont)** | Define private and social costs and benefits. Discuss conflicts of interest in relation to these costs and benefits in the short term and long term through studies of the following issues:* Public expenditure vs. Private expenditure
* Conserving resources vs. Using resources
 | Review the following with students from the previous lessonBuilding a new hospitalWhat are:* The private costs
* The external costs
* Social costs
* Private benefits
* External benefits
* Social benefits

Students explain whether they think building a new hospital is an economic use of resources. Is there any other information they would like be before making this decision. **Market Failure and Government Intervention (slide 43 to 46)**Students match the headline to the types of government intervention to prevent market failureReading p.35-38 AS Economics Market FailureDiscuss the positive and negative effects of government intervention.  | Moynihan and Titley (2007) *Economics – A Complete Course*, 3rd edition, Oxford University Press, p. 81-93Unit II (ppt)Geoff Riley (2007) AS Economics Market Failure p.35-39Social costs and benefits (Word)Market Failure (word)Further reading (word)<http://www.ebea.org.uk/teaching_resources/lesson_ideas_and_resources/gcse_economics/market_failure/> |
| **How consumers decisions can affect others** | Define private and social costs and benefits. Discuss conflicts of interest in relation to these costs and benefits in the short term and long term through studies of the following issues:* Public expenditure vs. Private expenditure
* Conserving resources vs. Using resources
 | Students examine how consumer choices can have private and external costs and benefits by completing the worksheet in pairs / groups.Activity 2.26Students complete the “Smoking” activity on p.86 to reinforce class discussion and learning.  | How consumers decisions can affect others (word)Moynihan and Titley (2007) *Economics – A Complete Course*, 3rd edition, Oxford University Press, p. 81-93 |