# MICROECONOMICS

# &

# MARKET SYSTEMS

A 4-Week High School Economics Unit

Supply, Demand, Elasticity, Market Structures & Market Failures

Includes: 20 Lesson Plans, Graphing Activities, Market Structure Matrix, Business Start-Up Simulation, Consumer Choice Experiment, Unit Test & Key, 30 Vocab Cards

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# WEEK 1: FOUNDATIONS OF SUPPLY & DEMAND

## Lesson 1: Introduction to Markets & Scarcity

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| **Duration:** | 50 minutes |
| **Objective:** | Students will define economics, scarcity, and opportunity cost, and explain how market systems allocate resources. |
| **Materials:** | Whiteboard, Markers, 'The Economic Problem' Handout |

### Procedures:

- **Hook (10 mins):** Present a scenario: You have $50 and 2 hours of free time. List 5 things you want to do/buy. Discuss why you can't have it all (Scarcity).
- **Direct Instruction (15 mins):** Define Economics, Scarcity, and Opportunity Cost. Introduce the concept of a 'Market' as a mechanism to allocate scarce resources.
- **Guided Practice (15 mins):** Create a class opportunity cost matrix on the board using the hook scenarios. Calculate the cost of choosing one option over another.
- **Independent Practice (10 mins):** Students complete the 'Economic Problem' handout, identifying opportunity costs in everyday high school decisions.

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|---|---|
| **Assessment/Closure:** | Exit Ticket: Define scarcity and provide one example of an opportunity cost you faced today. |

## Lesson 2: Understanding Demand

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|---|---|
| **Duration:** | 50 minutes |
| **Objective:** | Students will define the Law of Demand, construct a demand schedule, and graph a demand curve. |
| **Materials:** | Graph paper, Rulers, Demand Schedule Handout |

### Procedures:

- **Hook (10 mins):** Ask: 'If a slice of pizza costs $1, how many would you buy? What if it costs $5?' Chart responses on the board.
- **Direct Instruction (15 mins):** Define Law of Demand (inverse relationship between price and quantity). Introduce the Demand Schedule and Demand Curve. Explain the difference between a movement along the curve (change in price) and a shift (change in determinants).
- **Guided Practice (15 mins):** Complete a demand schedule for a new video game as a class. Graph the points together on the board.

# BUSINESS START-UP SIMULATION GAME

Name: _____ Date: _____ Period: _____

**Objective:** Apply microeconomic concepts by running a simulated business, making pricing, production, and marketing decisions within your assigned market structure.

### Rules of the Game:

- Your group represents a firm in a specific market structure (Perfect Competition, Monopolistic Competition, Oligopoly, or Monopoly).
- Each round represents one business quarter. You must decide your **Price**, **Quantity to Produce**, and **Marketing Budget** (if applicable).
- **Profit** = (Price x Quantity Sold) - (Production Cost x Quantity Produced) - Marketing Budget.
- You must operate within the constraints of your market structure (e.g., Perfect Comps are price takers; Monopolies are price makers).
- Unsold units are wasted (spoilage) and still cost you production money!

### Market Structure Constraints:

| | | | |
|---|---|---|---|
| Perfect Competition | Must match Market Price (set by teacher) | $3.00 per unit | Not allowed |
| Monopolistic Competition | Set your own price | $3.50 per unit | Up to $20 per round |
| Oligopoly | Set your own price (watch rivals!) | $4.00 per unit | Up to $40 per round |
| Monopoly | Set your own price | $4.50 per unit | Not necessary |

### Firm Decision Ledger

Company Name: _____ Market Structure: _____

| Round | Market Price (Teacher) | Your Set Price | Quantity Produced | Marketing Spend | Quantity Sold | Total Revenue | Total Cost | Profit / Loss |
|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | |

# UNIT TEST ANSWER KEY

| | |
|---|---|
| 1 | B (Scarcity) |
| 2 | B (Decreases) |
| 3 | C (The price of the good itself) |
| 4 | A (Surplus) |
| 5 | B (2.5 - Elastic. 25/10 = 2.5) |
| 6 | C (Prescription medication) |
| 7 | A (Elastic) |
| 8 | B (Marginal Utility) |
| 9 | C (Equal across all goods consumed) |
| 10 | D (Perfect Competition) |
| 11 | D (Both B and C - Monopolistic Comp & Oligopoly use non-price comp) |
| 12 | D (Oligopoly) |
| 13 | C (One firm can supply at lower cost / Economies of scale) |
| 14 | A (Social cost exceeds private cost) |
| 15 | D (Non-excludable and non-rivalrous) |

## Short Answer Rubric:

**16. Market Shifts:**

a) Supply curve shifts RIGHT (increase) because production costs decreased. (2 pts)

b) Demand curve shifts RIGHT (increase) because consumer income rose for a normal good. (2 pts)

c) Equilibrium Quantity will DEFINITELY INCREASE. (Both shifts push quantity up). Price is indeterminate. (2 pts)

**17. Market Structures:**

Answers should include two of the following differences (2 pts each) and one example for each (1 pt each):

- Number of firms: Monopolistic Comp has many; Oligopoly has few.

- Barriers to entry: Monopolistic Comp has low; Oligopoly has high.

- Interdependence: Oligopoly firms are mutually interdependent; Monopolistic Comp firms are not.

- Examples: Monopolistic Comp (Restaurants, Salons); Oligopoly (Airlines, Cell phone carriers, Cars).

# VOCABULARY CARDS (30 TERMS)

**Instructions for Printing:** Print these pages double-sided (Flip on short edge) so the term appears on the back of the definition. Cut along the lines to create flashcards.

| | | | |
|---|---|---|---|
| **Scarcity** | **Opportunity Cost** | **Law of Demand** | **Law of Supply** |
| **Equilibrium** | **Surplus** | **Shortage** | **Price Elasticity of Demand** |
| **Elastic Demand** | **Inelastic Demand** | **Total Revenue** | **Price Elasticity of Supply** |
| **Utility** | **Marginal Utility** | **Diminishing Marginal Utility** | **Utility Maximization** |
| **Perfect Competition** | **Monopolistic Competition** | **Oligopoly** | **Monopoly** |
| **Natural Monopoly** | **Mutual Interdependence** | **Non-Price Competition** | **Market Failure** |