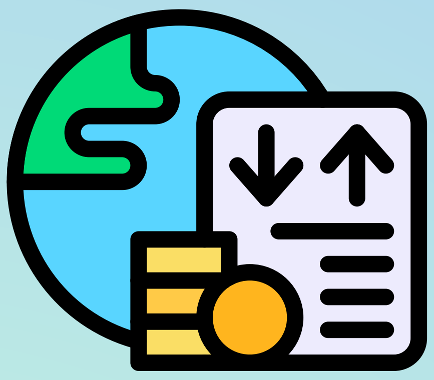
Grade 4

Why Every Child should learn ECON now!

Maryam

Content

Introduction to micro economics



What is micro economics?

- When the problems of choice (economic problems) are studied and addressed at the levels of individuals, it is called microeconomics.

- It is like zooming in on the smaller parts of the economy to understand how they work together to create the bigger picture.

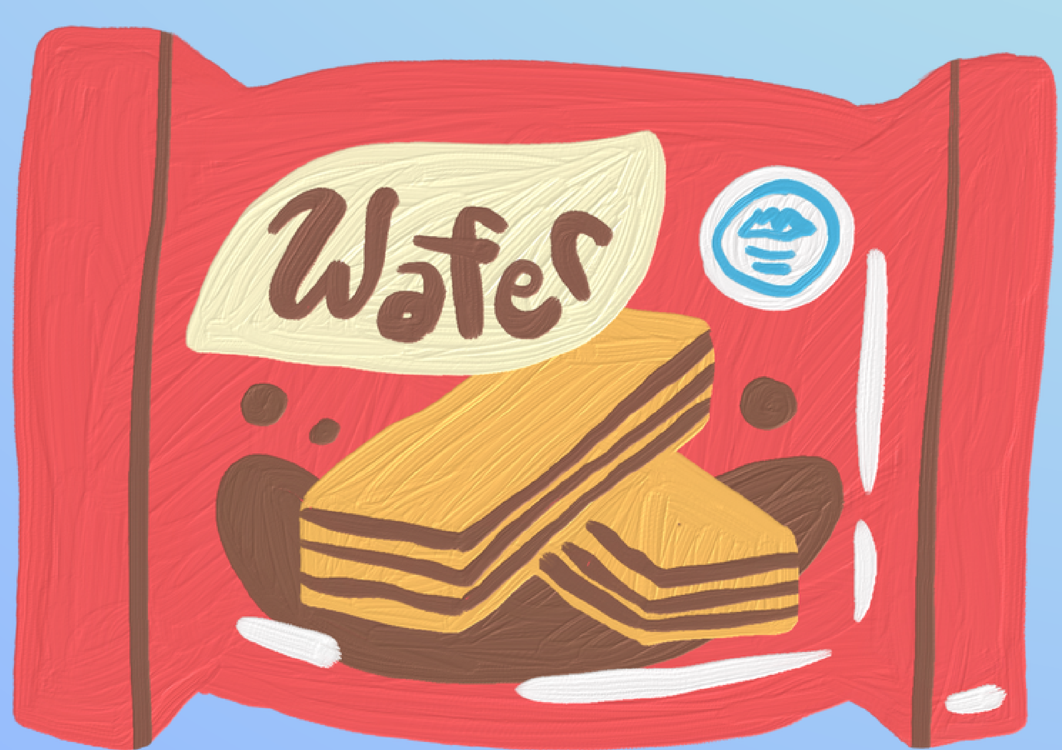
- Microeconomics looks at things like how many people want something, how many there are, and how the government can affect prices. It also looks at how people decide what to buy and how businesses compete with each other.

1. Supply, Demand, and Market Equilibrium

A. SUPPLY AND DEMAND

Demand is when people want or need something. It's like when you really want a toy or a snack. The more people want something, the higher the demand for it.

Supply is when people have or make something to sell. It's like when a store has toys or snacks to sell to people. The more toys or snacks the store has, the higher the supply.

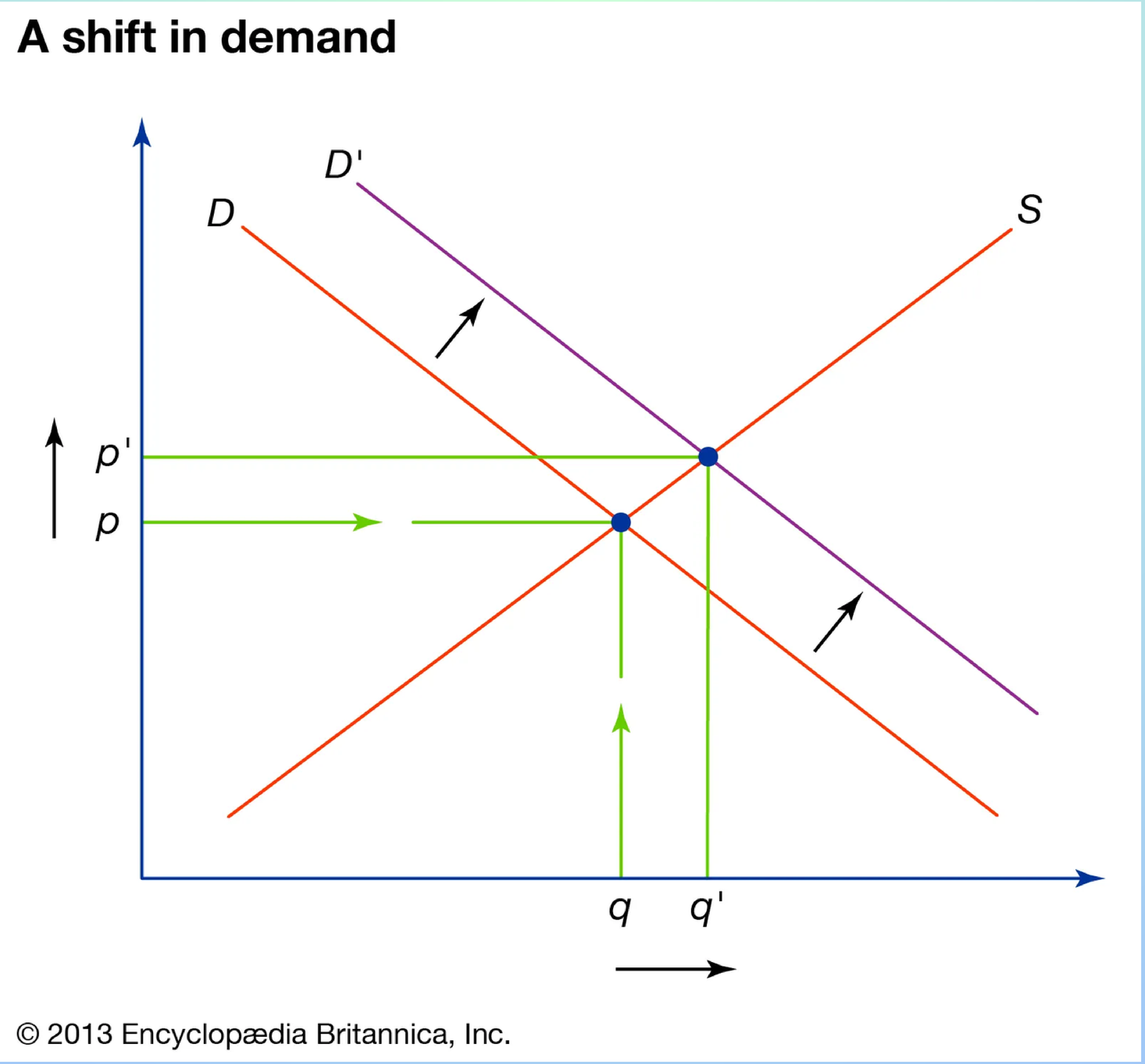


When demand is high and supply is low, it means there are a lot of people who want something, but there isn't enough of it available. This can make the price go up because people are willing to pay more for it.

On the other hand, when supply is high and demand is low, it means there is a lot of something available, but not many people want it. This can make the price go down because sellers want to get rid of it and are willing to sell it for less.

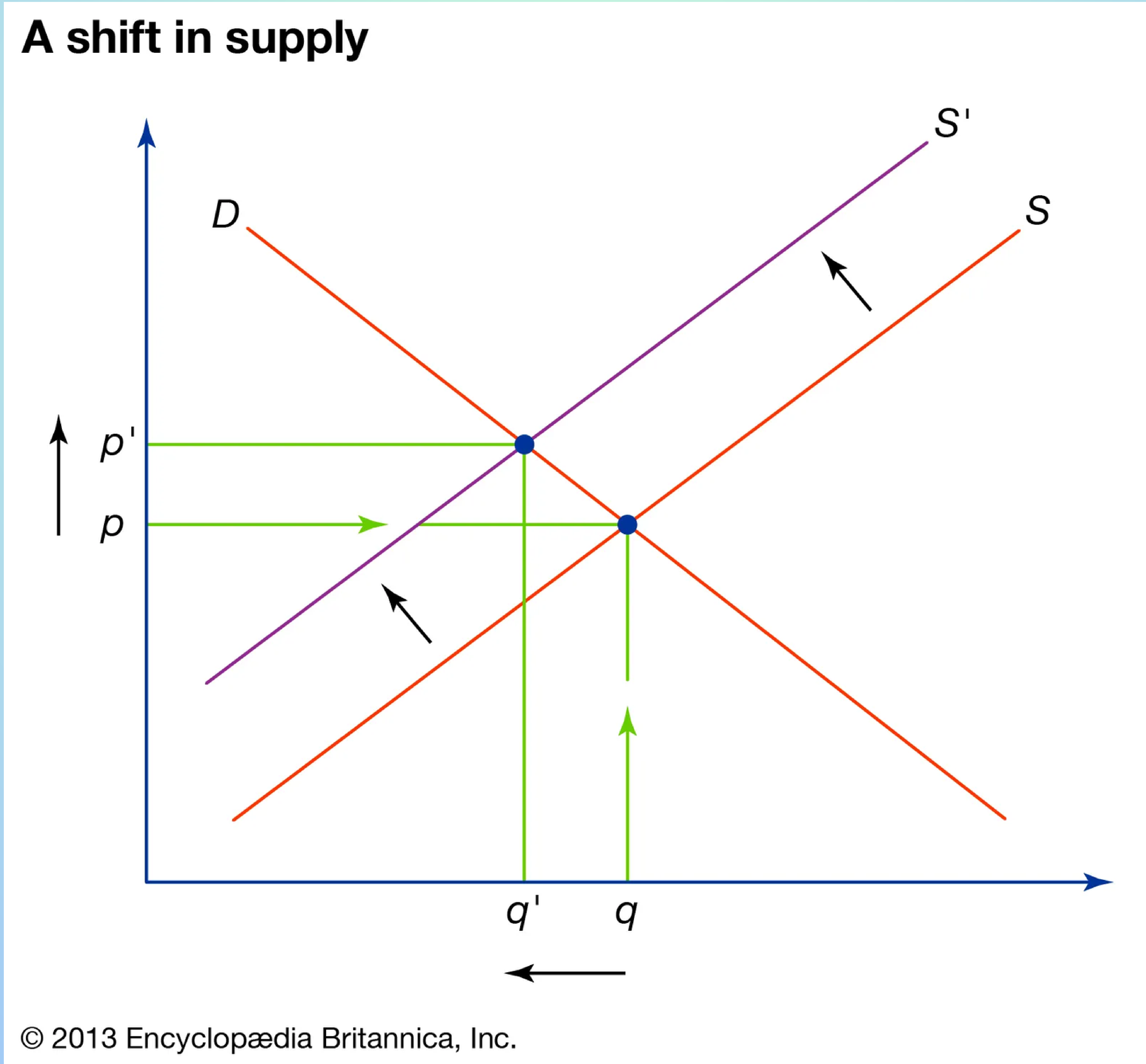
Demand curve and Supply curve

- <u>The demand curve</u> shows the relationship between the price of a product and the quantity demanded.
- The demand curve typically slopes downward because as prices decrease, consumers are more willing to buy more of the product.



increase in demand

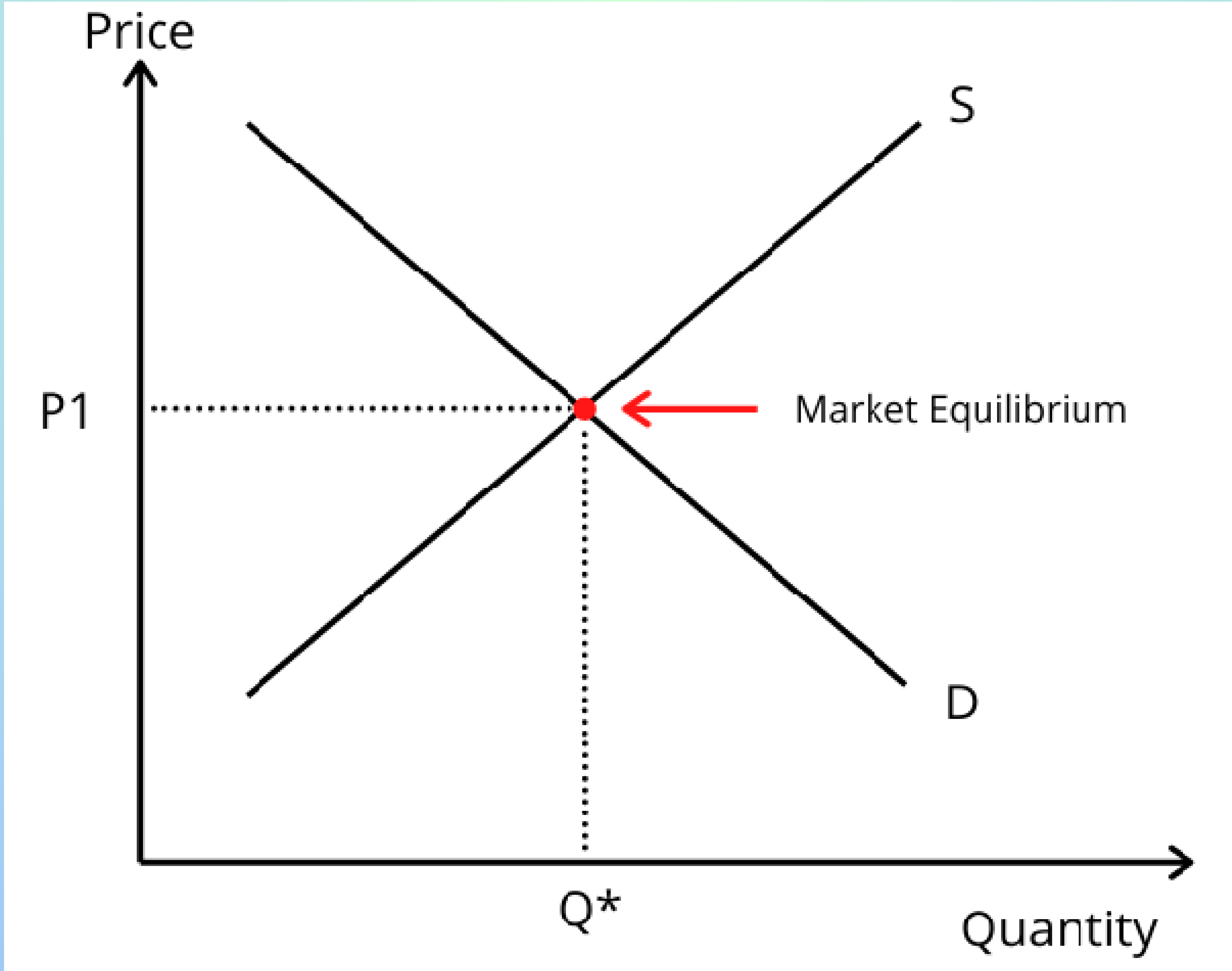
- The supply curve shows the relationship between a product's price and the quantity producers are willing to supply.
- It's usually upward-sloping, meaning that as prices increase, producers are more willing to supply more of the product.



decrease in supply

Market equilibrium

<u>Market equilibrium</u> refers to the point where the quantity demanded by consumers matches the quantity supplied by producers. It's like a balance point where there is no shortage or surplus of goods in the market.



SUPPLY, DEMAND AND MARKET EQUILIBRIUM QUIZ !

1.______ is when people want something. The more people want it, the higher the demand.

2. Supply is when people have or make something to _______. The more they have, the higher the supply.

3. Normally the demand curve will have a _______shape.

a. Vertical

b. Downward sloping

c. Upward sloping

d. Horizontal

YOU CAN DO IT!

SUPPLY, DEMAND AND MARKET EQUILIBRIUM QUIZ !

4. When demand is _______ and supply is ________, it means there are a lot of people who want something, but there isn't enough of it available. This can make the price ________ because people are willing to pay more for it.

5. when supply is high and demand is low, it means there is a lot of something available, but not many people want it.

TRUE OR FALSE

6. MATCH THE FOLLOWING:

1. Quantity demanded by consumers	supply
3. Point of balance with no shortage or surplus	demand
2. Quantity supplied by producers	market equilibrium

You are doing GREAT!

QUIZ ANSWERS

1. Demand is when people want something. The more people want it, the higher the demand.

2. Supply is when people have or make something to sell. The more they have, the higher the supply.

3. Normally the demand curve will have a ________shape.

b. Downward sloping

YOU GOT THIS!

QUIZ ANSWERS

4. When demand is high and supply is low, it means there are a lot of people who want something, but there isn't enough of it available. This can make the price go up because people are willing to pay more for it.

answers: a) high

b) low

c) go up

5. when supply is high and demand is low, it means there is a lot of something available, but not many people want it.

TRUE

QUIZ ANSWERS

6. match the following answers :

1. Quantity demanded by consumers - Demand
2. Quantity supplied by producers - Supply
3. Point of balance with no shortage or surplus - Market equilibrium

Elasticity

- Elasticity is a concept in economics that helps us understand how sensitive the quantity demanded or supplied of a good is to changes in its price.
- It's like measuring how much people's behavior changes when the price of something goes up or down.
- If the quantity changes a lot in response to a small price change, we say it's elastic.
- If the quantity changes only a little, we say it's inelastic.
- Elasticity helps us analyze market dynamics and make predictions about how changes in price will affect demand and supply.

Elasticity

Under elasticity there are two types of elasticity which the elasticity of demand and the elasticity of supply

ELASTICITY OF DEMAND

In the words of Dooley, “The elasticity of demand measures the responsiveness of the quantity demanded of a good, to change in its price, price of other goods and change in consumer’s income.”

The elasticity of demand is of three types :

a. Price elasticity of demand is about how much people change their buying when prices change.

b. Income elasticity of demand is about how much people's buying changes when their income changes.

c. Cross elasticity of demand is about how much people's buying of one thing changes when the price of another thing changes.

Elasticity

ELASTICITY OF SUPPLY

- The elasticity of supply is a measure of how responsive producers are to changes in price.
- If the supply of a product is elastic, it means that producers can easily adjust their production levels when the price changes.
- On the other hand, if the supply is inelastic, it means that producers are not able to quickly change their production levels in response to price changes.

quiz

1. what is the elasticity of supply?

____

2. guess which type of demand elasticity it is

1. when people change their buying when prices change -__________
2. when people's buying of one thing changes when the price of another thing changes - _______
3. how much people's buying changes when their income changes. - __________

quiz answers

1. what is the elasticity of supply?

The elasticity of supply is a measure of how responsive producers are to changes in price.

2. type of demand elasticity answers:
    1. when people change their buying when prices change - Price elasticity of demand
    2. when people's buying of one thing changes when the price of another thing changes - Cross elasticity of demand
    3. how much people's buying changes when their income changes. - Income elasticity of demand

consumer and producer surplus

<u>Consumer surplus</u> is the difference between the maximum price a consumer is willing to pay for a good or service and the actual price they pay. It represents the additional benefit or value that consumers receive from purchasing a product at a lower price.

<u>Producer surplus</u>, on the other hand, is the difference between the minimum price a producer is willing to accept for a good or service and the actual price they receive. It represents the additional profit or benefit that producers gain from selling a product at a higher price.

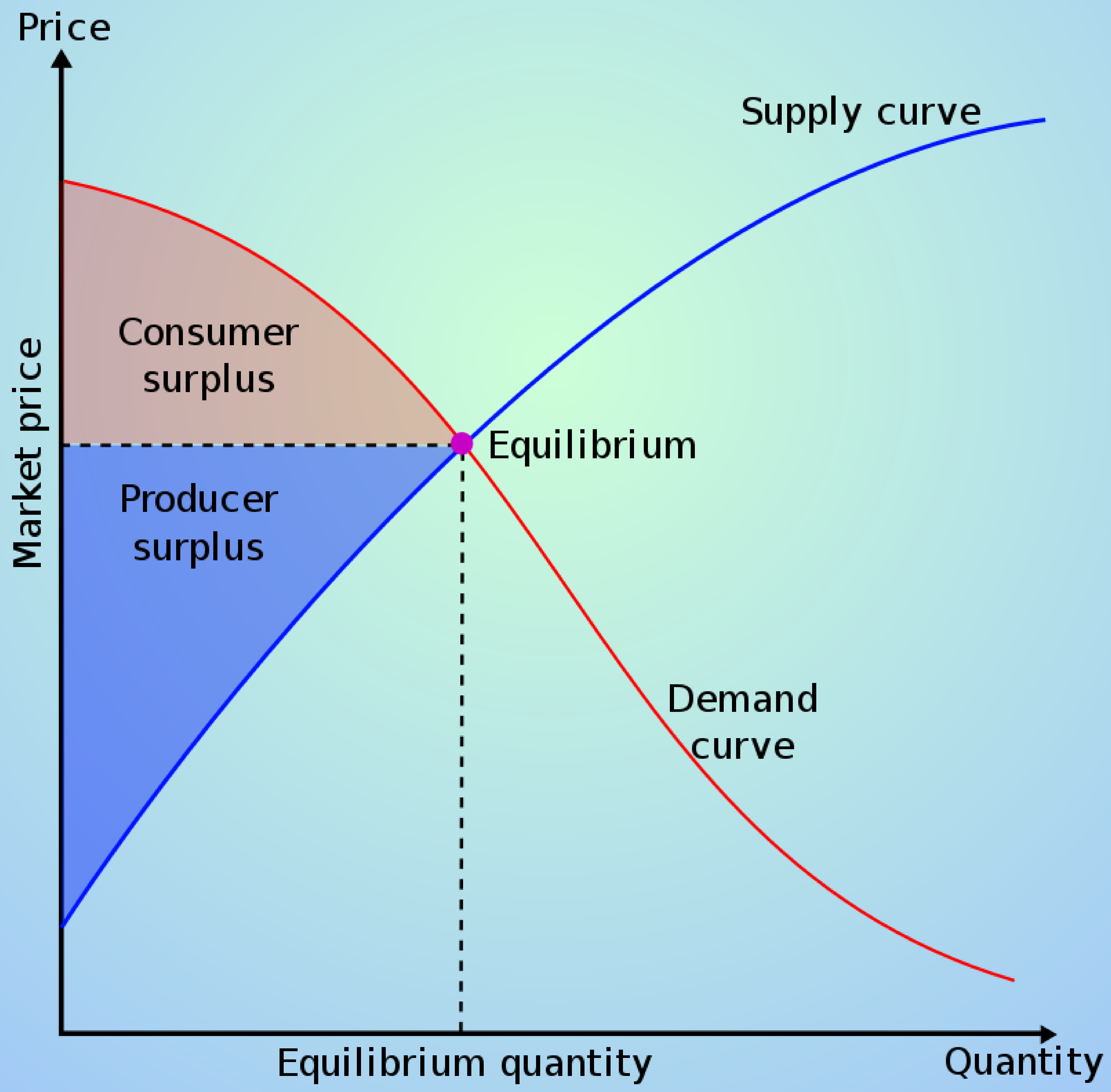
consumer and producer surplus

FOR EXAMPLE :

Let's assume a consumer is willing to pay $50 for a pair of shoes, but they only have to pay $30. The consumer surplus would be $20, which represents the additional value they gained from purchasing the shoes at a lower price.

On the other hand, let's assume a producer is willing to sell the shoes for $20, but they are able to sell them for $40. The producer surplus would be $20, which represents the additional profit they gained from selling the shoes at a higher price.

consumer and producer surplus diagram explanation



time to test your knowledge !

1. Hassan is willing to pay $20 to see the Conjuring movie for the 4th time. He finds a theater showing the movie for $5. Hassan's consumer surplus is

a. $ 5

b. $ 10

c. $ 25

d. $ 30

2. Rohan produces nails for $200 per ton. If he sells nails for $350 per ton, his producer surplus per ton is :

a. $ 150

b. $ 100

c. $ 250

d. $ 200

quiz answers

1. Hassan is willing to pay $30 to see the Conjuring movie for the 4th time. He finds a theater showing the movie for $5. Hassan's consumer surplus is

ANSWER: C. $ 25

2. Rohan produces nails for $200 per ton. If he sells nails for $350 per ton, his producer surplus per ton is :

ANSWER: A. $ 150

PROUD OF YOU

Four factors of production

The four factors of production are land, labor, capital, and entrepreneurship.

- Land refers to natural resources
- Labor is the work done by people
- Capital includes tools and machines
- Entrepreneurship involves taking risks and starting businesses.

These factors work together to produce goods and services in an economy.

Forms of competition

1] Perfect Competition

Perfect competition is a market structure with many small firms selling identical products

2] Monopolistic Competition

Monopolistic competition is a market structure with many firms selling differentiated products.

3] Oligopoly

An oligopoly is a market structure with a few large firms dominating the market.

4] Monopoly

A monopoly is a market structure with a single firm controlling the market.

Quiz time !

1. What are the 4 forms of competition?

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2. What is a monopoly?

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3. What is an oligopoly?

You GOT this

Quiz time !

4. Identify the forms of competition

a. small local farmers selling identical fruits and vegetables at a farmer's market. - ________

b. Several coffee shops in a neighborhood, each offering unique blends and flavors. - ________

c. A few major airlines dominating the market and setting prices for air travel.- ________

d. A single cable company that controls the market and has exclusive rights to provide cable TV services in an area. - ________

Quiz answers

1. What are the 4 forms of competition?

ans- The four forms of competition are perfect competition, monopolistic competition, oligopoly, and monopoly.

2. What is a monopoly?

ans - A monopoly is a market structure with a single firm controlling the market.

3. What is an oligopoly?

ans- An oligopoly is a market structure with a few large firms dominating the market.

Quiz answers

4. Identify the form of competition answers :

a. small local farmers selling identical fruits and vegetables at a farmer's market. - perfect competition

b. Several coffee shops in a neighborhood, each offering unique blends and flavors. - monopolistic competition

c. A few major airlines dominating the market and setting prices for air travel.- Oligopoly

d. A single cable company that controls the market and has exclusive rights to provide cable TV services in an area. - Monopoly

YOU DID IT!