

Economics *for* Life

Instructor's Manual Sample

Note to Instructors

I have been teaching Introductory Economics for over 30 years, in classrooms ranging from 30 to 500 students. I love my job (mostly – marking not so much), especially when I see students are engaged, their eyes widen and the light bulb goes on because they “get it.” In attempting to help them get it, I have used motivational techniques, group work, technologies including big sidewalk chalk (so students at the back of classrooms could see what I was writing), video clips to stimulate discussion, online quizzing to help students keep up, clickers, one-minute papers, digital lecture capture The list is long at my age! I have learned so much from 20 years of authoring the *Study Guide* accompanying the Parkin and Bade textbooks, as students complained to me about what is not clear, or thanked me for what is helpful.

As a teacher, I am attracted to the potential (not always realized) of using technology to enhance the learning experience. My experiments with technology led me to create the *do TEL* (Technology Enhanced Learning) faculty development program at York for instructors interested in transforming their face-to face courses to blended or fully online formats.

I wrote the *Economics for Life* textbooks to get more students interested in economics as a way of thinking that will help them make smarter choices in life and become economically literate citizens. If you are reading this, you may share at least part of that goal. I wrote this *Instructor's Manual* to try and make it as easy and as satisfying as possible for you to succeed in helping students learn Economics, whether in small classrooms, large classrooms, online, or in blended courses.

The *Instructor's Manual* (IM) will assist you (if I have done my job well) in preparing for, and teaching, introductory economics, whether you are a new instructor or an experienced instructor looking for ways to enliven your classroom or to adapt to the growing world of fully or partially online courses.

The complete IM will be available in the spring, and I will be continually updating the website (www.economicsforlife.ca) with new media stories, data, blog posts and links to other teaching resources. Pearson Canada has already helped me develop a rich set of resources to make our jobs easier and to do them better. In what follows, you can get a taste of those resources and my attempts to help you succeed in teaching Economics.

Please see www.economicsforlife.ca/resources for live links to sample PowerPoint slides, Pearson resources and graph samples.

4 Coordinating Smart Choices

Demand and Supply

Sample Excerpt

Chapter 4 Lecture Narrative

Rather than just list the main points in the chapter, I think it is helpful to hear the story that ties all of those points together. That will help you develop your own presentations in a more flowing, engaging way.

I developed the lecture narrative together with the PowerPoint lecture deck below.

This chapter combines the demand material from Ch 2 with the supply material from Ch 3 to describe what happens in markets. Markets require property rights as the rules of the game. Market interactions between buyers and sellers combine competition (between buyers and between sellers) and cooperation (voluntary exchange between buyers and sellers). Prices are the outcome of competing bids (from buyers) and offers (from sellers).

The best way to understand how prices are established is to look at what happens when price is set too low or too high. When price is too low, buyers are frustrated. There a shortage, creating pressure for prices to rise from competition between buyers. As price rises, quantity demanded decreases and quantity supplied increases, until the shortage is eliminated. When price is too high, sellers are frustrated. There a surplus, creating pressure for prices to fall from competition between sellers. As price falls, quantity demanded increases and quantity supplied decreases, until the shortage is eliminated.

At the market-clearing (equilibrium) price, quantity demanded equals quantity supplied, and the forces of competition and cooperation are balanced so that there is no tendency for change. Price serve as signals in the market, coordinating self-interest through Adam Smith's Invisible Hand of competition. The result is the miracle of markets (an intuitive shorthand for economic efficiency) —the continuous, ever-changing production of the products and services we want, without the government doing anything beyond setting the rules of the game.

Equilibrium prices assume that all 5 factors behind the demand curve do not change, and all 6 factors behind the supply curve do not change. I then show what happens to equilibrium prices and quantities when demand increases/decreases, when supply increases/decreases, and when demand and supply change together. I emphasize the bread-and-butter technique that economists use to explain changes in prices and quantities – comparative statics. Comparative statics is at the heart of what it means to think like a microeconomist.

The final section explains the economic efficiency of an equilibrium market outcome in terms of maximum consumer and producer surplus. The emphasis is on reading demand and supply curves as marginal benefit and marginal costs curves, and showing how any quantity other than the equilibrium quantity has a mismatch between marginal benefit and marginal cost, setting in motions the forces of self-interest that push toward the equilibrium quantity and price.

Chapter 4 Resources

PowerPoint Slides

The slides have been tested in large lecture halls as well as on mobile devices.

There are two PowerPoint® decks for Chapter 4.

1. The primary Lecture deck is a curated set of slides set up as I teach the chapter. Most analytical graphs have transitions that appear (like shifting curves) as you click through.
2. The secondary deck contains alternative versions of graphs in the lecture deck – e.g., smaller-sizes of graphs in the Lecture deck but paired with tables of numbers; Figures in the textbook that contain multiple graphs. Also included are all textbook Refresh Questions, which you can add to show how to work through the problem or to stimulate a discussion about the answer.

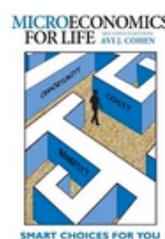
Narrated Dynamic Graphs

Here is a sample from this chapter.

See page 2 for a complete list. Graphs marked with a red G in the list below also have an MP4 version of the PowerPoint graph, where I explain shifting curves and other movements, while directing students where to look using a highlighted cursor.

By listening/watching these short videos, you will hear how I present the graph in class.

Fig 4.1 Demand & Supply Sample



Sample Narrated Dynamic Graph



For more details, see:
www.economicsforlife.ca

Chapter Graphs, Tables and Illustrations

Key:

- G - Graph(s)
 Titles in Blue are new to 2E.
 For Graphs with a red G,
 I explain shifting curves in an
 MP4 Dynamic Narrated Graph.
- I - Illustration
- T - Table

Figure	Title	G, I, T	Page
4.1	Market Demand and Supply for Piercings	T, G	81
4.2	Increase in Demand	T, G	88
4.3	Decrease in Demand	T, G	89
4.4	Increase in Supply	T, G	90
4.5	Decrease in Supply	T, G	91
4.6	The Effects of Combined Changes in Demand and Supply	G	93
4.7	Effects of Changes in Demand or Supply	T	94
4.8	Marginal Benefit and Consumer Surplus	G	96
4.9	Marginal Cost and Producer Surplus	G	97
4.10	Measuring the Miracle of Markets	G	98
4.11	Inefficient Outcomes	G	100

Sample Excerpt

Textbook Blog and Website

In the spring, the website (www.economicsforlife.ca) will include posts related to the chapters. I will continually update the website with new media stories, data, blog posts and links to other teaching resources going forward. All resources are tagged to topics and chapters in the *Economics for Life* textbooks, and are searchable.

Chapter 4 Interactive Teaching Strategies

My Best Shot

Here is a suggestion for in-class discussion that will work in large or small classes.

My top suggestion is based on an entertaining SourceFed YouTube video about rising bacon prices caused by a drought that increased the price of pig feed. See: www.youtube.com/watch?v=1azA5kcrXb8
 This exercise works for any class size, and helps the students “get” how to use the demand and supply model to make sense of real world events, and overcome the impression that economics is about boring graphs. Do this after you have presented the textbook once-over shifts of demand and of supply (Figures 4.2 – 4.5). I have used this video many times, and it always generates laughs, interest, and lots of discussion.

Play the video and ask students to analyze the story using a demand and supply graph. Start with just the price and quantity axes on the board. Ask students to identify the market (bacon or pork), and describe what happens starting from an initial equilibrium. Besides the decrease in supply due to an increase in input prices, there is also a segment – to analyze separately – about how the show *Epic Mealtime* may have increased preferences for bacon, increasing demand.

You can do this for the class as a whole, or break the students into small (3-5) groups and have each group work out the analysis and report back. While in a large class, you can't have every group report back, ask for volunteers and have a few groups report back, presenting at the front of the class. This activity changes the dynamics of a large class, as students are talking with each other, with permission.

Other Discussion (or Homework) Questions & Answers

1. Q. Apu wants to set the market equilibrium price, so he surveys all three families on his street in order to determine how many cappuccinos per day they are willing to buy at different prices. He gives them four price options. Their answers can be summarized on the following table.

- a. What is the market quantity demanded for each price? Fill in the table.

Price per Iced Capuccino	Flanders Family Quantity Demanded	Van Houten Family Quantity Demanded	Simpson Family Quantity Demanded	Market Quantity Demanded
\$1	2	5	5	
\$2	1	3	4	
\$3	0	1	3	
\$4	0	0	2	

Apu also estimates his costs and determines how many iced cappuccinos he is willing to sell. Apu's supply is summarized in the following table:

Price per Iced Capuccino	Apu's Quantity Supplied
\$1	7
\$2	8
\$3	9
\$4	10

- a. What is the market-clearing price? Explain.
- b. If Apu sets the price higher than the market-clearing price,
 - i) Will there be a shortage or surplus in the market?
 - ii) Will there be pressure for the price to rise or fall? Explain.
- c. If Apu sets the price lower than the market-clearing price,
 - i) Will there be a shortage or surplus in the market?
 - ii) Will there be pressure for the price to rise or fall? Explain.

- A. a. The market quantity demanded is in the middle column in the table below.

Price per Iced Capuccino	Market Quantity Demanded	Apu's Quantity Supplied
\$1	12	7
\$2	8	8
\$3	4	9
\$4	2	10

- b. The market-clearing price is \$2, since this is the price for which there is no shortage or surplus.
- c.
 - i) At any price higher than \$2, quantity supplied is greater than quantity demanded, so there is a surplus.
 - ii) Apu has excess inventory, which creates pressure for the price to fall, as he wants to get rid of his supplies before the milk goes sour.
- d.
 - i) At any price lower than \$2, quantity supplied is less than quantity demanded, so there is a shortage.
 - ii) There aren't enough cappuccinos to satisfy demand, which creates pressure for the price to rise. Customers bid up the price of the scarce cappuccinos, hoping that they will get one when someone else will not.

2. Q. Rising housing prices in Alberta during the Oil boom lead some Albertans to move to Saskatchewan. Housing prices in Saskatchewan rose to record levels. Using a demand and supply framework, explain the higher prices in Saskatchewan's housing market.

- A. The demand for houses in Saskatchewan increased because more Albertans moved to Saskatchewan (more consumers in the Saskatchewan housing market). This increase in demand (rightward shift of the demand curve) puts upward pressure on housing prices in Saskatchewan if the supply of housing does not change.

3. Q. Suppose a natural disaster increases the need for flashlights. Outline the steps the market will go through to communicate this information to not only the makers of flashlights, but also the makers of flashlight-making equipment.

- A. The panic buying of flashlights is an increase in demand, which raises the price, signaling a profit opportunity from increasing the production of flashlights. The increased production (increased quantity supplied) will need more flashlight parts and equipment, increasing demand for those inputs. Inputs prices will rise, and the quantity supplied of inputs will increase, and the need for flashlights will be satisfied. The rising price of flashlights is the key signal that leads suppliers and demanders to change their decisions so that eventually quantity demanded and quantity supplied match again.

4. Q. High birth rates in the early 2000s caused school overcrowding, while since 2010, some schools closed down in the same neighbourhoods. If education is a product, identify: (a) the consumer, and (b) the supplier. Why do you think the school system keeps experiencing shortages and surpluses?

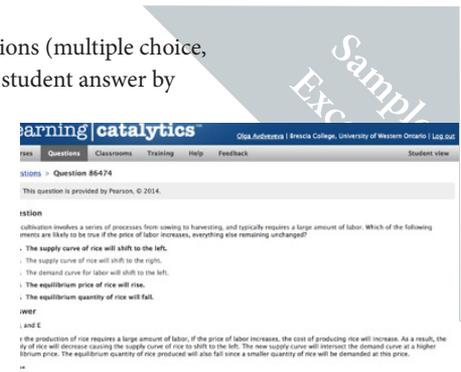
- A. Consumers of educational services are parents and children, while the suppliers are the government and its school boards. However, the school system is free (there is no separate price for going to school), so no price signals are communicated between consumers/demanders and suppliers. Without price signals, the needs of consumers and the resources of school boards are not coordinated, leading to shortages and surpluses. The centralized system of communication doesn't work as efficiently and effectively as the market system.

Learning Catalytics Clicker Questions

Through MyEconLab, Learning Catalytics provides clicker questions (multiple choice, matching, many right choices, graph sketching, numerical) that student answer by texting or through a wi-fi connections. Here is an example.

Other questions include:

- Question:** Electronics manufacturers can either make iPhone chargers or android chargers. If the price of iPhone chargers decreases, what happens to the supply of iPhone chargers?
Answer/Explanation: A change in the price of a good changes the quantity supplied of that good, not the supply.
- Question:** Electronics manufacturers can either make iPhone chargers or Android chargers. If the price of iPhone chargers decreases, what happens to the supply of Android chargers?
Answer/Explanation: Android chargers and iPhone chargers are substitutes in production. If the price of iPhone chargers increases, producers will switch production away from Android charger and this will decrease the quantity supplied at every price.



In-Class Experiments

Through MyEconLab, there are market simulation experiments for a single player or multiplayer. Here's one sample specifically for Chapter 4.

The menu at the top of the page shows the range of activities. Please see:

http://media.pearsoncmg.com/aw/aw_myeconlab/experiments/instructor/expinstr.html



Narrated Dynamic Graphs

Through MyEconLab, students have access to the Narrated Dynamic Graphs. They can watch and listen to my explanations of graphs, shifts of curves and changes in equilibrium outcomes. See page 2 for an example and page 3 for the list of graphs included in Chapter 4.

Online Activities Dynamic Study Modules

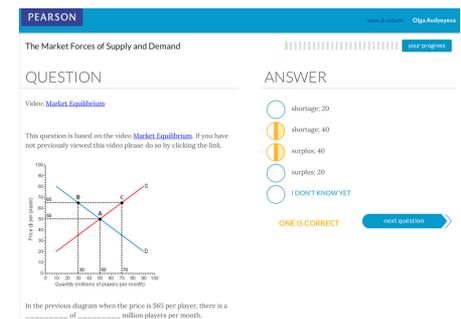
In addition to MyEconLab, Study Plans and Sample Tests go to www.economicsforlife.ca for complete, up-to-date collection of online activities, posts and new stories. All resources are tagged to topics and chapters in the *Economics for Life* textbooks, and are searchable.

Within MyEconLab, Dynamic Study Modules assess students' knowledge more granularly than with simple right or wrong questions. This screen shot example shows a module based on a video.

Students can pick multiple answers, and indicate if they are unsure of an answer (1 click on a circle) or sure (2 clicks). Depending on their answers, the software directs them only to additional content where they need help.

Examples of multi-part modules for this chapter based on the following questions include:

- When you think of an arrangement or institution that brings buyers and sellers of a good or service together, what are you thinking of?
- The market for corn is initially in equilibrium. Suppose that the production of biofuels, which use corn as an input, increase, and at the same time, increases in the price of oil cause farm production costs to rise. Which of the following explains the effect on equilibrium price and quantity in the corn market?



After the material above, which applies to the complete chapter, each individual section (4.1, 4.2, 4.3, 4.4, 4.5) has a separate page with:

- Learning Objective*
- Main Point*
- Key Terms and Definition*
- Textbook Refresh Questions and Answers*

A sample for individual section material for 4.1 follows on the next page.

4.1 What's a Market?

Sample
Excerpt

Learning Objective

Describe what a market is and the necessary rules for voluntary exchange.

Main Point

Markets connect competition between buyers, competition between sellers, and cooperation between buyers and sellers. Government guarantees of property rights allow markets to function.

Key Terms and Definitions

Market

the interactions between buyers and sellers.

Property rights

legally enforceable guarantees of ownership of physical, financial, and intellectual property.

Refresh Questions and Answers

4.1.1 Q. In your own words, define what a market is.

A. A market is not a place (physical or virtual) or a thing; it's a process — the interactions between buyers and sellers.

4.1.2 Q. You are negotiating over the price of a new car with a car dealer. Explain how this process contains both cooperation and competition.

A. In negotiating with a dealer to buy a car, the process contains cooperation between you as buyer and the dealer as seller. If you come to an agreement, it is voluntary — at the negotiated price, you choose to buy and the dealer chooses to sell, because you have both decided the deal makes you better off.
There is competition because, as a consumer you are competing with other potential buyers to get the dealer's car. The dealer is competing with other dealers, and with anyone else selling a car (used cars, online sales) you might buy.

4.1.3 Q. The Recording Industry Association of America's (RIAA) mission is "to foster a business and legal climate that supports and promotes our members' ... intellectual property rights worldwide." Have you ever downloaded music? Write a short argument (three or four sentences) defending people's right to download music for free. Now, write a short argument against that position including the concept of property rights. Which do you agree with? Explain why.

A. Almost everyone downloads music. Arguments may differ, but common arguments against the defence of property rights include

- the record labels already make enough money
- the prices are too high
- there is no cost to the record label or artist of your single download
- the artists will benefit eventually from the exposure
- you cannot afford to pay the prices charged for legal sales of music

Arguments against downloading are mostly based on the ideas property rights and incentives. Without property rights, there are no incentives to produce any product or service for exchange. Customers can take/steal your output for free, so why would you, as a business trying to make money, continue to produce?
The important purpose of this question is to think more carefully about the role of property rights for a well-functioning market economy.