Objective: Students will an understanding of the following principles of supply and demand, and gain insight to the economic principles of equilibrium, shortages, and surplus. Through this lesson, students will also begin to see how economic concepts such as supply and demand impact their everyday decision and lives.

Materials:
- Vocabulary Sheet
- Powerpoint
- Graph worksheet
- Stickers and sticker charts

Definitions:
Supply: amounts of goods or services that producers are willing and able to make and sell at different prices
Demand: the amount of goods or services that people are willing and able to buy at different prices
Shortages: a situation where quantity supplied is less than quantity demanded at a given price
Surpluses: a situation where quantity supplied is more than quantity demanded at a given price
Equilibrium: a situation where the quantity supplied equals the quantity demanded at a given price.

Warm-up:
- We will give them back their folders and ask them to take out last lesson’s vocabulary sheet, where we will go over the definitions. This is where we will introduce the stickers and sticker sheets. The sticker sheets have little slots for star stickers, and each student will receive a sheet. We will then give the students stickers for the correct answers to the last two weeks of vocabulary questions. Not only will we do the actual definitions, we will also ask for examples and give the students stickers for those.
- 5 Minutes

Activity:
- After doing the warm-up, we will pass out the vocabulary sheet for lesson three. This vocabulary sheet is going to be a matching activity, where they will closely follow the definitions on the Powerpoint and match the definitions to the terms.
• At this point, we will do a short class discussion asking the students how they think the price of a good is determined. How does the seller know how much to ask? (The actual question is on the Powerpoint slide)

12.) DEMAND EXERCISE

• We will first divide the students up into 3 groups, so that there are smaller groups and the three of us may facilitate this exercise easier. Each group will collect data and then we will compile it all on the board towards the end of the activity.
• We will give the students a fake dollar for each sticker that they have on their card, which will be the beginning of the demand. We will start out by giving each student one (fake) dollar and then we will give an additional dollar for each sticker on each student’s card. This will create a very real situation—the unequal distribution of wealth.
• Then we will give the students the option of purchasing a box of cereal. We will remind the students to count their money before we begin, so that they know what they are capable of buying and also because students will have different amounts of money. Since each one of the three of us will have a box of cereal, they will think that they have three different options, so some students may be willing to buy it and some may want to save their money for what they think they might get.
• We will start with a low price, of $1, so that all students are capable of buying the cereal. Such that, “For $1, how many boxes of cereal would each of you like to buy?” (Reminding them that they can only purchase with the money they have available to them. Then we will continue to give the students different amounts, until none of the students are able to buy the goods. To make sure that the numbers work out well and for consistency, all three groups of students will have the same price options.
• Then we will put all the data on the board in columns, one for Price and one for Quantity Demanded.
• The slide showing the definition of demand will be shown at this point, and we will ask a student to read the definition and then we will further explain it to the class.
• Using the data on the board, we will explain to the students what quantity demanded means and its relation to the definition of demand.
• Then we will ask the students, “What happens as the price of a good goes up? As the price goes down?”
• We will also ask the students, “Would your quantity demanded for cheerios have been any different if you could also buy Cocoa Puffs?” This should reinforce the concept from earlier in the semester that we have to make choices with the limited resources we have available.
• Combined with supply and supply/demand, 25 minutes total

13.) SUPPLY EXERCISE
• To make the numbers work well for this activity, we will give the students numbers of cereal boxes that we would be willing to produce and sell at each price, this will produce a market clearing solution.
• We will then place these numbers on the board, in two columns, Price and Quantity Supplied.
• We will explain that as suppliers we always want a higher price because we make more profit.
• We will ask the class, “What happens to the quantity supplied as price goes up? As price goes down? Why?”
• We will also ask them, holding $20 worth of fake money to illustrate, “If you were the supplier of this type of cereal and I was willing to pay you this $20 per box, how many boxes would you be willing to sell me?” and also, “What if I was only willing to give you $1 per box, how many boxes would you be willing to sell me?” Think about how much money you will make if you sell it to me at $20 vs. if you sell it to me at $1, which price would you want to sell it to me for?
• At this point, the slide with the definition of supply will be shown and we will ask a student to read the definition and then we will explain it to the class.
• As a buyer, you always want the lower price so that you can buy more. As a seller, you always want a higher price so that you can make more money. If this is true, how do we reach an agreement about what price to charge? Who wins? (Answer: Both)

14.) SUPPLY AND DEMAND EXERCISE

• The students will still be in the small groups from the previous activity, and each Trinity team member will take a group or two to go around to and monitor/help.
• We are going to use an entirely new example for this, to clearly reinforce the ideas we were working with. We are going to give them another example, the one set up on the Powerpoint. We will quickly go over the demand section, saying that it is the demand for a slice of pizza. While looking at the screen, “At a price of $1, the quantity demanded is 25. At a price of $2, the quantity demanded is 20,” and so on.
• Then we will show the supply slide and say as Pizza makers, those are the quantities that we are willing to supply at each price. We don’t want to make any slices of pizza for less than $1, because we would lose money.
• We are going to use the market clearing solution that can be easily graphed, using the same principles and working towards equilibrium. On a Powerpoint, we will have the numbers for quantity demanded and price correlating with the numbers for quantity supplied and price.
• The students will have graphs (blank) provided to them, worksheet attached. The first graph we will do, as a class, is the demand graph with the numbers provided. While the students are graphing, there will be the example on Powerpoint and we will walk around the classroom and help out the students.
We will do the same thing for the supply graph, and then we will combine the two on the third graph!

- After the graphs are complete, we will make sure to explain to the students that something important happens when the two lines cross. Who can tell us what it is? It’s what we like to call Equilibrium!

15.) EQUILIBRIUM ACTIVITY

- We will use the example that is already on the Powerpoint, with the supply and demand of pizza slices. We will go over one more time that as price goes up customers want less (they don’t want to pay for it) and suppliers want to sell more (they get to make more money). The opposite is also true, customers want more when price goes down and suppliers want to sell less.
- This is important because it is part of what helps determine the price of a good.
- We will stress the concept, EQUAL=EQUILIBRIUM
- Then we will show the students the definition of equilibrium, explain it, and ask them to explain it in their own words.
- Further, we will show that if you are a supplier, you want high prices. If you are a demander, you want low prices. How do we reach equilibrium?
- Equilibrium means that supply and demand are equal AT A GIVEN PRICE and at no other, so what happens when it is a higher price? A lower price?
- 8 Minutes

16.) SHORTAGE AND SURPLUS EXAMPLES

- For this, we will ask the students, “What if we had decided that we were only going to sell the cereal at a price of $5 per box? What would have happened?” We would be willing to sell more than you would be willing to buy, we would have extra. We call this a surplus.
- Then we will have a student read the definition of surplus.
- Take, for example, the current situation with Playstation 3. The price is around $600 and you can find them at every Wal-Mart or electronics store in the country. The suppliers aren’t willing to lower their prices and obviously the demand isn’t high enough at those prices since there are still boxes on the shelves.
- What if we had decided to sell the cereal at $1 a box, you would have demanded much more than we would be willing to supply, and there would not be enough. This is what we a shortage.
- Then we will have a student read the definition of a shortage.
- Again, take for example another popular electronic device in your lives. The Wii machine. The current price is around $400, but you cannot find them in a lot of stores like Wal-Mart or gamestop. Why do you think this is? At this price, consumers are willing to buy a lot more than what suppliers are willing
to make. Suppliers can’t just raise their price now, so there will continue to not be enough. This is another example of a shortage.

• 7 Minutes

17.) POST-ACTION ACTIVITY
• We will ask the students, “so what do we get out of this?” Remember back to the first question we asked you, how is price determined? Is it just by suppliers? Just by demanders? No, it is determined by both supply and demand.
• If there is a big surge in demand, what do you think would happen to price?
• If price goes up, what do you think would happen to demand? To supply?
• Go home and ask your parents what happened to the price of gasoline this week. When they say that the price has gone up or down, write down why you think that happened (think back to our lesson from today).
• This will help students to understand supply and demand in the world around them, even though they are not old enough yet to purchase gasoline.

18.) SUMMARY
• For the summary we will make sure that all the students understood the definitions and go over a couple extra examples of each, asking for examples from the students in their daily lives or the classroom. We will continue to give them stickers
• We will also draw a simple supply and demand graph on the board and illustrate the areas of shortage and surplus.
• We will do the same thing as last time, in that we will give the students fruit snacks in exchange for their completed vocabulary sheets and folders.
• 10 Minutes (combined with post-action activity)

19.) ACCORDION FOLD
• We will then use this time to go over more examples of shortage and surplus. Such as, what if the price fell to .50? How much more would you demand? What if the supply remained the same? Do you think there would be enough? Economic principle: Shortage.
• We will continue to come up with more examples of supply and demand here.

Power Point:
• The Powerpoint will have a variety of graphs, charts, and vocabulary. The students will be following the Powerpoint to read definitions, fill in the vocabulary, and also fill in the graph worksheet.
Supply!

Demand!

Supply AND Demand!
VOCABULARY!!!

______________________________________ amount of goods or services that producers are willing and able to make and sell at different prices

______________________________________ a situation where the quantity supplied equals the quantity demanded at a given price.

______________________________________ the amount of goods or services that people are willing and able to buy at different prices

______________________________________ a situation where quantity supplied is more than quantity demanded at a given price

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