

Supply & Demand

Name: _____ **Date:** _____

LEARNING OBJECTIVE

The student will simulate a simple market to observe how supply and demand affect price.

MATERIALS NEEDED

- 20-30 small identical items (paper clips, buttons, coins, or paper slips as pretend 'goods')
- paper
- pencil
- play money or paper slips as pretend currency
- at least 1-2 other participants if possible

HANDS-ON ACTIVITY

1. Set up a pretend market: designate yourself (or a family member) as the 'seller' with a limited supply of 10 items, and one or more 'buyers' with a set amount of play money.
2. Round 1: with only 10 items available and high buyer interest, have buyers offer increasing amounts of play money to 'bid' for the limited items; record the final price reached.
3. Round 2: increase the supply to 25 identical items (simulating more supply) with the same buyer interest, and repeat the bidding; record the new, likely lower price.
4. Round 3: keep supply at 25 items but remove buyer interest (pretend most buyers no longer want the item), and observe/record what happens to the price sellers can get.
5. Create a simple chart summarizing the price outcome of each of the three rounds and what changed (supply or demand) in each.

QUESTIONS

1. What happened to the price when supply was low (Round 1) with high buyer interest?
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2. What happened to the price when you increased supply to 25 items in Round 2?
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3. What happened in Round 3 when supply stayed high but demand dropped?
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4. Using your three rounds as evidence, state the general rule of supply and demand in your own words.
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