From Many, One — Developing Aggregate Supply and Demand

SUBMITTED BY: Michael Ryan Moore, University of Pennsylvania, GSE

SUBJECT(S): Economics

GRADE LEVEL(S): 9, 10, 11, 12

OVERVIEW:

This lesson is an introduction to the laws of supply and demand. In this lesson, students will examine how the macro-level economy emerges from individual preferences and choices. Using the article “John Brock of Coca-Cola: Staying Strong in the Competitive Beverage Industry,” students think about supply and demand from the perspective of a large beverage supplier, like Coca-Cola.

NBEA STANDARD(S):

- Economics, I. Allocation of Resources
- Economics, IV. Markets and Prices

RELATED ARTICLES:

- “What Is Disrupting the Food Supply Chain?”
- “Wharton Insights on the Impact and Implications of Coronavirus”
- “The Supply Chain: Who Knew that Every Oreo Makes a Journey?”
- “John Brock of Coca-Cola: Staying Strong in the Competitive Beverage Industry”
- “Insights from the Fall of Aleppo”
- “Inside the Bee Economy”
- “Exploring the Economics of Everyday Life”
Common Core Standard(s):

- Mathematics (N-Q), “Reason quantitatively and use units to solve problems”

Objectives/Purposes: The purpose of this lesson is to introduce students to the law of supply and the law of demand.

- Students will be able to explain the law of supply.
- Students will be able to explain the law of demand.
- Students will understand how individual supply and demand curves affect an aggregate supply and aggregate demand.

Other Resources/Materials:

For Teachers:

- Internet Access (Outside of the Classroom)
- Printer/Copier
- Access to Chalkboard/Whiteboard

For Students:

- Pen
- Copies of Worksheet

Activity:

The lesson is divided into five parts: (1) Introduction, (2) Guided Reading, (3) Class Discussion, (4) Exploration Activity, and finally (5) Closing

1. Introduction (5-10 mins)
Before starting this lesson, (or this unit,) make sure students have a working understanding of scarcity and choice. (See “Intro to Econ” and “Intro to Econ 2” on the Wharton Global Youth Program website).

Begin by spending a few minutes introducing the unit as a whole. Over the course of the next several lessons, students will be thinking about how both individuals and corporations make decisions about what to buy and what to sell. In economics, we tend to think about these decisions in terms of price. How much does something cost? How much is it worth to you? These lessons try to uncover how prices emerge in an economy, and how price motivates decision-making.

Once you have introduced the lesson, ask the students to think of a business they know. It can be a local business, or a national one. Next, ask what the company does. Does it sell products? Does it sell a service? (If you feel like pressing the issue, ask students to explain the difference between “products” and “services.”) Once students have a business and a product in mind, ask the students, “How much does that product/service cost?” Students’ specific answers are not particularly important. However, it is important to get students thinking about how that price came to be. Why does the product/service cost that much? What would happen if it cost more? What would happen if it cost less? How does the price of the product compare to the cost of providing it?

All of these questions are designed to get students thinking about the role of price in economic terms. After students take some time answering the questions, make sure to define supply and demand. Supply is the quantity of a product or service you are willing to provide at a given price. Demand is the amount you are willing to buy at a given price. Relate these definitions to the class discussion.

2. Guided Reading (5-10 mins)

Next, have students read through the article “John Brock of Coca-Cola: Staying Strong in the Competitive Beverage Industry.” Encourage students to look for examples of supply and demand. What products and services are being supplied? By whom? What is being demanded? By whom? Have students jot down their answers with pen and paper.

3. Class Discussion (1-5 mins)

Once students have finished reading, encourage students to briefly summarize the article. Ask for volunteers to share their answers to the guiding questions listed above.
4. Exploration Activity (5-10 mins)

After this discussion, break students into groups of three or four. Give each group a copy of Worksheet 1: Obey the Law.

After students complete the worksheet, have groups share their answers with the class.

5. Closing (1-5 mins)

Building on the group reports, briefly define the law of supply and the law of demand for students. Students should know that these two laws will be the cornerstone of nearly every lesson in economic theory.

**Tying It All Together:**

**Assessment & Extension**

During the lesson, use the group time to gauge student understand. For both individual and aggregate graphs, demand should decrease as price goes up. If some students’ graphs differ (e.g. if demand increases with price) ask the group why this might be the case.

Teachers can also assess understanding by opening the next lesson with an open response, asking students to explain the law of supply and law of demand in their own words.

**Practice Outside of the Classroom:**

Outside of the classroom, students should look for examples of the laws of supply and demand. In their own lives, can they recognize when someone supplies more at a high price? Demands more at a low price?

**What Worked and What I Would Do Differently:**

When you are first introducing students to the idea of supply and demand, it helps to use concrete examples. Demand is fairly easy — most students are used to buying things. For supply, I asked students to think about their own experiences as babysitters. Nearly every could remember a time when they were asked to work for little or no money, and alternatively, a time when they were paid highly.