Shifts — What Can Change Supply & Demand?

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SUBJECT(S): Economics

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

OVERVIEW:

In this lesson, we look at shifts in the aggregate supply and demand curves. Using the article "After Reading Fast Food Nation, You May Want to Hold the Fries," students will look specifically at the fast food industry, brainstorming how supply and demand might shift at a given price.

NBEA STANDARD(S):

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

RELATED ARTICLES:

- "Why Germany Is the Driving Force in the Eurozone"
- "What Is Disrupting the Food Supply Chain?"
- "The Uncertainty Surrounding Your MoviePass Subscription"
- "Insights from the Fall of Aleppo"
- "Immigration Reform in America: The People, the Proposals and the Economics"
- "GDP: The Rock Star of Economic Indicators"
- "Exploring the Economics of Everyday Life"
- "A Teen from the United Arab Emirates Considers a New Era of Taxation"

Objectives/Purposes: The purpose of this lesson is for students to understand the major factors that affect aggregate supply and demand.

- Students will be able to explain the causes of a shift in supply.
- Students will be able to explain the causes of a shift in demand.
- Students will understand how shifts in supply and demand affect equilibrium prices.

Knowledge@Wharton Article: "After Reading Fast Food Nation, You May Want to Hold the Fries"

Other Resources/Materials:
For Teachers:

- Internet Access (Outside of the Classroom)
- Printer/Copier
- Butcher Paper
- Markers

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)

Begin the lesson by drawing a familiar supply and demand schedule on the chalkboard (figure 1). Remind students of the laws of supply and demand (supply increases with price, demand decreases with price). Remind students that markets move towards the equilibrium price (where supply and demand intersect.)

Figure 1

Next, revise the picture by shifting the demand curve to the right (figure 2). Ask students what this shift means for supply and demand. Compared to the first demand curve, what is happening now? Get students thinking about the idea of "holding price constant." In other words, the shift in demand means that consumers are demanding a higher quantity of goods and services at the same price.

Figure 2

Depending on how comfortable students are with this idea, redraw the graph with a shift in supply. Again, this is only an introduction, so don't worry if students are struggling with the concept. Simply start giving them an idea that "shifts" in supply and demand can occur. The rest of this lesson will focus on the specifics of *why* shifts happen.

2. Guided Reading (5-10 mins)

Students should read through an excerpt of the article "After Reading Fast Food Nation, You May Want to Hold the Fries," (Paragraphs 4 through 17). Before students start reading, ask them to think about what might cause shifts in supply and demand, like those modeled in your graphs.

3. Class Discussion (1-5 mins)

Once students have finished reading, ask them to summarize the article. Follow-up on comments related to changes in fast food supply (e.g. labor, IDP) and demand (consumer choices/preferences). If students don't point to these issues, highlight them yourself by posing pointed questions. For example, "Based on the article, what do you think contributes to the cost of fast food?" Beyond the article, encourage students to reflect on their own experiences: "What makes you buy fast food? Why do you pick one restaurant over another?"

4. Exploration Activity (10-20 mins)

After a short discussion, split the class into 2 groups (or multiple, paired groups, if necessary). One group will take on the role of fast food supply. The second group will take on the role of fast food demand.

For this activity, ask each group to think about why supply (or demand) might "shift." What would cause the demand for fast food to increase, even if the price doesn't change? What would cause the supply of fast food to decrease, even if the price doesn't change?

Give each group a large piece of butcher paper and ask the groups to write down their ideas. Once groups have had time to brainstorm, ask the groups to report back to the class as a whole.

As groups report, make your own list on the chalkboard. Without telling students, try to group their responses into similar categories. Once all student responses are on the board, make sure you relate their ideas to formal economic explanations for shifts in supply and demand.

Shifts in demand are due to:

(1) changes in the prices of related goods
e.g. If the price of groceries doubles, what will happen to the demand for fast food?

(2) changes in income
e.g. If your paycheck doubles, are you more or less likely to buy lunch from a restaurant?

(3) changes in preferences
e.g. If you wake up and decide you love fast food, what will happen to your demand for fast food?

Similarly, shifts in demand are due to

(1) changes in the price of inputs
e.g. If the cost of potatoes doubles, what will happen to the supply of French fries?

(2) changes in technology
e.g. If a new machine can make fries quicker and more cheaply, what happens to supply?

(3) changes in the price of other goods

5. Closing (1-5 mins)

Use the remaining time to clarify any confusion the students might have. Make sure to connect their group responses to the formal explanations outlined above. Reiterate the fact that a shift in supply or demand refers to changes in quantity when price is held constant.

What Worked and What I Would Do Differently:
As you move on to future lessons, keep coming back to the causes of shifts in demand and supply. During my classes, we would put this list up on the board at the beginning of each class. Soon it became second nature. Once students recognize the causes of shifting supply and demand curves, they become much more comfortable reading, analyzing, and predicting supply and demand shifts.