

Supply and Demand Infographic Supplemental Activity Worksheet

The concept of supply and demand is often called the heart and soul of economics. It is the foundation for much of what is studied in the field, and understanding how supply and demand affect the economy can help us to recognize economics everywhere in our daily lives. (The British classical economist J.R. McCulloch is attributed with the famous saying that you can make a parrot an economist if you only teach it to say “supply and demand.”) The supply and demand infographic highlights basic concepts such as the laws of supply and demand, changes in demand and supply versus changes in the quantity demanded and the quantity supplied, the determinants of demand and supply, and market equilibrium.

Supply and demand infographic questionnaire

(Students will refer to the infographic to answer the following questions.)

1. Define the law of demand. Define the law of supply. Describe these terms in your own words and make sure to include an explanation of the relationship between price and quantity
2. When prices change, how is that reflected on a given supply or demand curve?
For instance, if the price of a particular chocolate bar increases, will demand or quantity demanded change? Explain.
3. List the determinants of demand.
4. List the determinants of supply.
5. What happens to a given supply or demand curve if one of the determinants of supply or demand change? Using one of the determinants you listed for questions 3 and 4, provide an example for demand and another one for supply and illustrate the examples by drawing correctly labeled graphs. (Do not use the examples from the infographic.)
6. Define market equilibrium and explain how it is determined.

Activity

This activity connects supply and demand to the real world. Students will read articles that show changes in supply or demand, or simply analyze the articles' summaries and translate the content to the analysis of demand, supply, quantity demanded and quantity supplied, and market equilibrium.

Real World Connections: Supply and Demand

Student Worksheet

Remember that all changes are **other things being equal**.

1. DVD sales are sliding because more consumers are watching content digitally. (This involves two markets.)

Article: bloomberg.com/news/articles/2015-01-06/u-s-dvd-sales-continue-to-slide-as-digital-viewing-soars

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium price and quantity
DVDs					
Digital Content					

2. Drought and demand from Arby's creates a brisket shortage; the article also mentions the increase in the popularity of brisket.

Article: cbsnews.com/news/brisket-shortage-has-texas-barbecue-lovers-facing-rising-costs/

Market	What changed?	Demand	Supply	Curve shift	Equilibrium price and quantity
Brisket					

3. There is an oversupply of oil from increased North American and Saudi Arabian production.
 Article: business.today.intoday.in/story/oil-prices-brent-crude-extends-loss-on-supply-glut-jan-14/1/214565.html

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium price and quantity
Gasoline					

4. New cage laws for chickens decrease the number of chickens (and therefore the number of eggs).
 Article: cbsnews.com/news/why-egg-prices-will-likely-rise-in-2015/

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium price and quantity
Eggs					

5. Movie ticket prices increase.
 Article: time.com/3666765/movie-theaters-ticket-prices-box-office-revenue-summer/

Market	What changed?	Demand	Supply	Curve shift	Equilibrium price and quantity
Movie tickets					

6. Piano stores close down as fewer young people are taking up the instrument. The article also mentions that technology has improved so that pianos last longer.

Article: lehighvalleylive.com/music/index.ssf/2015/01/piano_stores_closing_sales_plu.html

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Quantity
Pianos					

7. Consumers become more health conscious and reduce their consumption of donuts.

Article: newsmax.com/health/Health-News/sugary-processed-foods-pastries/2014/12/29/id/615359/

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Quantity
Donuts					

8. The increase in Mexican immigrants and an increase in popularity for Mexican cuisine has resulted in greater consumption of tortilla chips.

Article: cnn.com/2015/01/21/living/feat-tortilla-chip-history-tailgating-eatocracy/

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Equilibrium Quantity
Tortilla chips					

9. As the American populations is aging, fast food consumption is falling.

Article: today.com/health/hold-fries-were-eating-less-fast-food-study-says-1C8463926

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Quantity
Fast food					

10. Avocados become America's favorite fruit.

Article: washingtonpost.com/blogs/wonkblog/wp/2015/01/22/the-sudden-rise-of-the-avocado-americas-new-favorite-fruit/

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Quantity
Avocados					

11. Hyundai’s car sales are affected by lower gas prices.

Article: autonews.com/article/20141202/RETAIL01/312029993/hyundai-falls-4-as-small-cars-tumble

Market	What changed?	Demand	Supply	Curve shift	Equilibrium price and quantity
Small cars					
SUVs					

12. Dry weather has decreased Ghana’s cocoa production by 22% from last year.

Article: money.cnn.com/2015/06/23/investing/chocolate-cocoa-prices-go-up/

Market	What changed?	Demand	Supply	Curve shift	Equilibrium price and quantity
Chocolate bars					

Activity 2

Suppose that you are a writer for the blog *All Things Chocolate* and are writing a post that illustrates how principles from your economics class can be illustrated by the market for chocolate candy bars. You want to include some headlines from recent news stories. Find actual news articles using chocolate to illustrate each of the following concepts, or if none are available, create your own detailed headlines. You may draw a graph to illustrate the changes in equilibrium.

1. Change in quantity demanded
2. Change in quantity supplied
3. Change in number of buyers of chocolate bars
4. Change in the price of related goods
5. Change in consumer expectations
6. Change in income of chocolate bar buyers
7. Change in technology
8. Change in input prices
9. Change in the number of sellers
10. Change in producer expectations.

Related links

Online course and video Q&A

Econlowdown Instructor Management Panel Login
(https://bts.stlouisfed.org/econ_ed/online_learning/)

(Use the login to access the supply and demand videos in the Video Q & A section. They can be found under the Economic Lowdown series.)

Supply and Demand
(<https://bts.stlouisfed.org/supply-and-demand/?p=yes>)

Lesson

Why Do Gasoline Prices React to Things That Have Not Happened?
(https://www.stlouisfed.org/legacy_assets/education_resources/assets/lesson_plans/07ITV_ShiftingCurves.pdf)

Podcasts

Demand
(<https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-6-demand>)

Supply
(<https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-7-supply>)

Market Equilibrium
(<https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-8-market-equilibrium>)

Videos

Demand
(<https://www.stlouisfed.org/education/economic-lowdown-video-series/episode-2-demand>)

Supply
(<https://www.stlouisfed.org/education/economic-lowdown-video-series/episode-1-supply>)

Market Equilibrium
(<https://www.stlouisfed.org/education/economic-lowdown-video-series/episode-3-equilibrium>)

Whiteboard slides

Supply and Demand
(<https://www.stlouisfed.org/education/supply-and-demand>)

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