



What's Price Have to Do with It?

Adapted from “Lesson Activity 4.1—What If?” in Economics for the Elementary Classroom by E. Coulson and S. McCorkle. SPEC Publishers, Inc., 2005. Standards and Benchmarks

Standards and Benchmarks (see page 6)

Lesson Description

In this lesson, students learn about consumers, goods, services, and price. They analyze how consumers generally respond to the changes in price for a good or service. From that analysis, they learn the law of demand.

Concepts

Consumers
Goods
Law of demand
Price
Quantity demanded
Services

Objectives

Students will be able to

- define consumer, goods, services, price, quantity demanded, and law of demand;
- explain the relationship between price and the quantity demanded; and
- predict an increase or decreases in quantity demanded by consumers when given price information.

Compelling Question

How does price affect the quantity of a good or service consumers will buy?

Time Required

60 minutes

Materials

- “What’s Price Have to Do with It?” Slide Deck, Slides 1-10
- Handout 1, enough copies cut apart into cards to provide one card for each pair of students.
- One sheet of 8½” × 11” paper for each student
- Markers or crayons for each student
- Bulletin board space titled “Law of Demand”rops for the play, such as toy cell phone, etc.

Procedure

1. Display Slide 2 and explain that **consumers** are people who buy and use goods and services. **Goods** are objects that satisfy people’s wants, and **services** are activities that satisfy people’s wants. Have students turn and talk with a partner and discuss the following:
 - Why are you consumers? (*Because we buy and use goods and services*)



- What are some goods that you or your family use? (*Answers will vary but may include pencils, computers, candy, clothes, or food.*)
 - What are some services that you or your family use? (*Answers will vary but may include education [school, bus transportation], medical care [doctor visits], car repair, or lawn mowing.*)
2. Display Slide 3 and explain that there are many things that influence how much of a good or service people will buy. We call the amount of a good or service people will buy the **quantity demanded**. One of the most important factors consumers consider is the price of the good or service. Have students turn and talk with a new partner and discuss the following:
 - What is price? (*The amount we pay to buy something*)
 - **Price** is the amount people pay for one unit of a good or service.
 - What is the price of something you recently purchased? (*Answers will vary.*)
 - If you had \$1.00 and decided to spend it on candy and the price of candy were \$0.20 a piece, how many pieces of candy could you buy? (*5 pieces of candy*)
 - How many could you buy if the price were \$0.25 a piece? (*Only 4 pieces of candy*)
 - How many could you buy if the price were \$0.10 a piece? (*10 pieces of candy*)
 3. Display Slide 4 and point out that when the price of candy increased from \$0.20 to \$.25, they were able to buy fewer pieces of candy. But, when the price of candy decreased to \$0.10, they were able to buy more pieces of candy.
 4. Display Slide 5 and explain that usually people are willing and able to buy less of a good or service when the price is higher and more of a good or service when the price is lower. This relationship between price and the amount people are willing and able to buy is called the **law of demand**, and it holds for most products.
 5. Display Slide 6 and ask students to imagine how they might complete the sentence. Call on students for examples. (*Dishes might be made of gold, pencils might be made of gold, dog collars might be made of gold, and so on.*) Ask students, if gold sold for \$1 an ounce, would consumers buy more or less gold? (*More*)
 6. Arrange the students in pairs. Distribute one card from *Handout 1: Price Cards* to each pair of students. Tell the pairs to work together to complete the following:
 - Read the sentence stem on the card. Use your imagination to think about what would happen if the stem were true.
 - Think about and write three ways to complete the sentence.
 - Then decide if people would be willing to buy more or less of the good.
 7. Allow time for students to work, then have them share their examples with the class. Have each pair of students post their card on the bulletin board titled “Law of Demand.”
 8. Display Slide 7 and point out the law of demand: In general, when the price of a good or service increases, consumers will buy less of that good or service. Likewise, when the price of a good or service decreases, consumers will buy more of it.



Closure

9. Use Slides 8-9 to show questions one at a time and review the key ideas of the lesson.
 - What is a consumer? (*Someone who buys and uses goods and services*)
 - What are goods? (*Objects that satisfy people's wants*)
 - What are services? (*Activities/actions that satisfy people's wants*)
 - What is a good that would satisfy a thirsty person? (*A bottle or glass of water*)
 - What is a service that would satisfy a sick person's desire to be well? (*A visit to the doctor*)
 - What are some goods that you or your family use? (*Answers will vary but may include food, clothing, furniture, cars, bikes, toys, or books.*)
 - What are some services that you or your family use? (*Answers will vary but may include bus rides, school lessons, doctor visits, car repairs, or haircuts.*)
 - What is a price? (*The amount you pay for a good or service*)
 - What is the law of demand? (*When the price of a good or service increases, the amount consumers will buy of that good or service decreases [they will buy less of it], and when the price of a good or service decreases, the amount consumers will buy of that good or service increases [they will buy more of it].*)
 - What will happen to the quantity of snacks students will buy in the cafeteria if the price of those snacks increases? (*Student will buy fewer snacks.*)
 - How does price affect the quantity of a good or service that consumers will buy? (*If the price goes up, consumers will buy less; if the price goes down, consumers will buy more.*)

Assessment

10. Distribute a sheet of 8½" × 11" paper and markers/crayons to each student. Display Slide 10 and read the instructions to the students.
11. Have students share their work with a partner. Have the partner check the work based on the directions on Slide 10 as follows.
 - 1a. The student's name is on the paper.
 - 1b. The good drawn is a picture of something people use at school—something you can touch or take with you—such as a pencil, piece of paper, book, desk, or computer.
 - 1c. The service drawn is a picture of an activity a student or a family would use, such as riding a bus, getting a haircut, or visiting a doctor.
 - 2a. A *price* is the amount a consumer pays to buy a good or service.
 - 2b. Milk is a good people drink. If the price of milk increases, the quantity of milk demanded will *decrease*.
 - 2c. The law of demand states that when the price of a good or service increases/decreases, the quantity demanded by consumers will decrease/increase.



Handout 1: Price Cards (page 1 of 2)

What if the price of water goes up?

1. If water sold for \$10 a cup,
2. If water sold for \$10 a cup,
3. If water sold for \$10 a cup,
4. If water sold for \$10 a cup, would consumers buy more or less? _____

What if the price of paper goes up?

1. If paper sold for \$10 a sheet,
2. If paper sold for \$10 a sheet,
3. If paper sold for \$10 a sheet,
4. If paper sold for \$10 a sheet, would consumers buy more or less? _____

What if the price of diamonds goes down??

1. If diamonds sold for \$2 a carat,
2. If diamonds sold for \$2 a carat,
3. If diamonds sold for \$2 a carat,
4. If diamonds sold for \$2 a carat, would consumers buy more or less? _____



Handout 1: Price Cards (page 2 of 2)

What if the price of silver goes down

1. If silver sold for \$3 an ounce,
2. If silver sold for \$3 an ounce,
3. If silver sold for \$3 an ounce,
4. If silver sold for \$3 an ounce, would consumers buy more or less? _____

What if the price of sugar goes up?

1. If sugar sold for \$10 a cup,
2. If sugar sold for \$10 a cup,
3. If sugar sold for \$10 a cup,
4. If sugar sold for \$10 a cup, would consumers buy more or less? _____



Standards and Benchmarks

Voluntary National Content Standards in Economics

Standard 8: Role of Prices

Prices send signals and provide incentives to buyers and sellers. When supply or demand changes, market prices adjust, affecting incentives.

- **Benchmarks: Grade 4**
 1. Higher prices for a good or service provide incentives for buyers to purchase less of that good or service, and for producers to make or sell more of it. Lower prices for a good or service provide incentives for buyers to purchase more of that good or service and for producers to make less of it.
- **Benchmarks: Grade 8**
 1. An increase in the price of a good or service encourages people to look for substitutes, causing the quantity demanded to decrease, and vice versa. This well-established relationship between price and quantity demanded, known as the law of demand, exists as long as other factors influencing demand do not change.