



POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

WRITTEN BY Denise Hurlburt
Denver Street School
Denver, CO
Last Modified: June 12, 2007

Yummy Competition

Time Required

15 minutes

Grade Level and Subject

Middle and High School; Math or a Life Skills course

Keystone Principle

Principle #9 – Prices Are Determined By The Market Forces Of Supply and Demand And Are Constantly Changing.

Economic Concepts

Competition - Attempts by two or more individuals or organizations to acquire the same goods, services, or productive and financial resources. Consumers compete with other consumers for goods and services. Producers compete with other producers for sales to consumers. It is a fundamental process for market production and consumption of any good or service.

Demand - The quantity of a good or service buyers are willing and able to purchase at various prices at a given time.

Equilibrium Price - the price at which the quantity demanded by buyers equals the quantity supplied by sellers; also called the market-clearing price.

Money - A commodity that is legally established and readily accepted in exchange for goods and services. A generally accepted medium of exchange, store of value, or measure of value.

Monopoly - A market structure in which there is a single supplier of a good or service. Also, a firm that is the single supplier of a good or service for which there are no close substitutes.

Price - The amount of money people pay when buying a good or service. A measure of the value of a good or service to buyers or sellers.

Supply - The amount of a goods or service that producers are willing and able to

provide for consumption at different prices.

Overview

Theoretical discussion of supply and demand may sound complicated, but experiencing it first hand almost always affords an intuitive understanding. In this lesson, students will learn first-hand that the difference to consumers between a monopoly situation and a competitive one is usually lower prices.

Objectives

- Students will be able to explain the effects of competition on prices and the availability of goods.
- Students will be able to explain how the interaction of supply and demand affects prices.

Materials and Handouts

- 3 bags of individually-wrapped, bite-sized candies
- something to use as money-- beads, chips, etc.

Teaching Activity

1. Divide the class into 4 groups as follows:
 - Groups A and B receive 3 pieces of “money” for each member.
 - Group C receives two bags of candy.
 - Group D receives 1 bag of candy.
2. Round One—Group C sells candy (from one bag only) to Group A. Allow the students to set the price on their own. Have students note the price the “market” settled on their handouts.
3. Round Two—Groups C (using their 2nd bag only) and D both sell candy to Group B. Again, let the students decide on the price themselves. Again, have the students note the market price and answer the questions about the effects of competition on the price and supply of goods.
4. After all the students have recorded an answer, discuss the differences together. Have the students present their predictions for question 7 and discuss together.
5. Be sure the students realize that they have just experienced a shift in the supply curve. The number of groups supplying the candy has increased, which has caused the total amount of candy available to increase.

Lesson Extension

For a math class, the data from the handouts can be used to prepare a graph. For a graph specifically tied to supply and demand, follow the example shown in our Keystone Principle #9 using the candy competition data.

Candy Competition Handout

Name: _____ **Date:** _____

- 1. What was the price for a piece of candy set at in Round One?**

- 2. What was the price in Round Two?**

- 3. What was the difference in the “market” for the second round?**

- 4. How did that difference affect the price?**

- 5. How did that difference affect the supply of goods available?**

- 6. What served as money in the game? Explain why.**

- 7. Predict what would happen if Groups A and B were both trying to buy candy from only one of the candy sellers.**