

## Unit 2: Lesson 4

### Law of Supply

**DURATION:** 45 minutes

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#### OVERVIEW:

In this lesson, students will continue to learn about the product market model. They will build on their knowledge of the law of demand, and prior participation in simulations, to learn about the law of supply. Students will have a chance to practice graphing the supply curve.

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#### LEARNING OBJECTIVE:

Students will be able to:

- Explain the relationship between price and quantity supplied.
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#### RELEVANT UNIT BIG IDEAS: Optimization and Incentivization

- Incentives shape decisions.

#### RELEVANT UNIT ESSENTIAL QUESTIONS:

- When is the risk worth the reward?
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#### MATERIALS:

[Instruction Slides](#) (display during class period)

[Student Handout](#) pp. 4-7 (1 copy per student)

[Summarizer](#) p. 8-9 (1 copy per student)

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#### SEQUENCE:

##### Activator – 6 minutes (Slides 1-6)

1. Display Slide 2 and distribute 1 copy of *Student Handout*. Direct students to work individually to complete activator problems 1 and 2 and write their response to question 3. After three minutes of individual work, click to reveal and review the answers using Slides 3 and 4. (Additional educator tips/details/suggested answers are in the notes section throughout *Instruction Slides*.)
2. Proceed to Slide 5. Explain the connection between the law of demand and sales.
3. Display Slide 6. Introduce the learning objective for the lesson.

##### Introduce the Law of Supply – 15 minutes (Slides 7-18)

4. Display Slide 7. In pairs, students discuss the review questions related to the Hat Firm Simulation ([Lesson 2.3](#)). After one minute, click to reveal the correct responses and review the responses as needed.
5. Proceed to Slide 8. In pairs, students reflect on the Coffee Market Simulation ([Lesson 2.1](#)) and the model of supply and demand. After one minute, click to reveal the correct responses.

6. Display Slide 9. Introduce the law of supply and click to reveal the movements along the supply curve. Note to students that there is a direct (or positive) relationship between the price of a good or service and a firm's willingness to supply a good or service. **Alert students to the stumbling block** (as indicated by the yellow warning graphic); it is important that students refer to a change in "quantity supplied," not "supply," when the only variable is product price. This is a common area of confusion and it will make things more clear in the future if they get in the habit of being precise now.
7. Proceed to Slide 10. Direct students to synthesize the law of supply with their partners and then write responses on *Student Handout*, question 4.
8. Guide students through two practice examples (and solutions) in Slides 11–16, pointing out that as price increases, the quantity supplied increases and vice versa. Students sketch the changes on *Student Handout* for each example.
9. Display Slide 17. **Alert students to the stumbling block**; the law of supply is typically more challenging for students. Reinforce that students can use their experience as a hat-making firm to help frame problems that relate to the law of supply. (Throughout the course encourage students to "put on your Firm Hat" when they are faced with supply questions.)
10. Advance to Slide 18. Direct students to complete the "Rate your understanding," questions 6–7, on *Student Handout*.

### Practice the Law of Supply and the Law of Demand – 18 minutes (Slides 19–27)

11. Display Slide 19. Students work for eight minutes with a partner to complete practice questions 1–4 on *Student Handout*. Remind students 1–4 are all examples of a change in the quantity supplied and, therefore, all movement will take place along the supply curve. They should be wearing their "Firm Hat" when thinking about these practice problems. After eight minutes, review the answers as a class using Slides 20–23 for solutions.
12. Proceed to Slide 24. Alert students that the next practice section on *Student Handout* might be a challenge as questions 5–7 are a mix of the supply and demand scenarios. Remind students to read questions carefully and make changes along the appropriate curve based on the scenario. Students should work with a partner on questions 5–7 for six minutes.
13. Review the answers as a class using Slides 25–27. If students finish early encourage them to complete the extension questions, 8–11. **Note:** Any change in price will affect both quantity supplied and quantity demanded, but each question focuses on buyers or sellers. Student graphs should reflect the change for the relevant group.

### Summarizer – 6 minutes (Slides 28–29)

14. Have students put *Student Handout* and any other notes away. Proceed to Slide 28. Distribute *Summarizer* to each student. Students write their name next to "Scenario Creator" and take one minute to write their own example of a scenario that illustrates the law of supply OR the law of demand (does not need to be a real-world example).
15. Click to reveal the "Swap" instructions on Slide 28. Instruct students to swap their copy of *Summarizer* with a classmate and write their name on their partner's copy next to "Scenario Solver." The "Scenario Solver" answers all four questions on their partner's copy of *Summarizer* and models the changes on the graph. Upon completion, students return their partner's copy of *Summarizer*, review responses with their partner, and discuss areas of confusion.

16. Display Slide 29. With one minute remaining in class, students respond to the “Gauge Your Understanding” questions (6 and 7) on their original copy of *Summarizer* (the copy on which they created their scenario).
  17. Collect *Summarizer* from students to review for common errors or sources of confusion.
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**[STANDARDS: Voluntary National Content Standards in Economics](#)**

STANDARD 7: Markets and Prices

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**FEEDBACK & QUESTIONS:**

Fill out this [30-second feedback form](#) to let us know how the lesson went. Thank you!

Contact Kathleen Cusack with questions at [Kathleen@econiful.org](mailto:Kathleen@econiful.org).

**2.4 Student Handout (Law of Supply)**

Name: \_\_\_\_\_

Period: \_\_\_\_\_

<b>Activator:</b> Using what you learned about the <u>Law of Demand</u> , complete the practice problems below.		
Scenario	1. Sketch the changes to quantity demanded based on the scenario. 2. Label the quantity demanded at the new price.	Explain the movement along the curve based on the change in price.
1. The price of a vegetarian burrito bowl increased from \$8.65 to \$11.99.		
2. Walmart website error allowed customers to buy \$600 electronics for \$8.85.		

**Law of Demand and Sales:**

3. How does the law of demand explain why a firm chooses to put things on sale (intentionally lower the price)?

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**Law of Supply** (the flip side of demand)

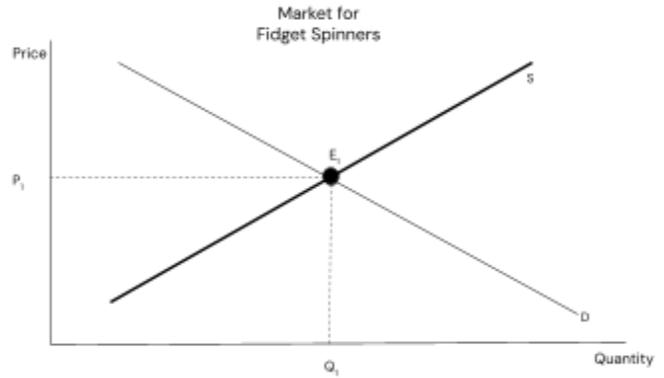
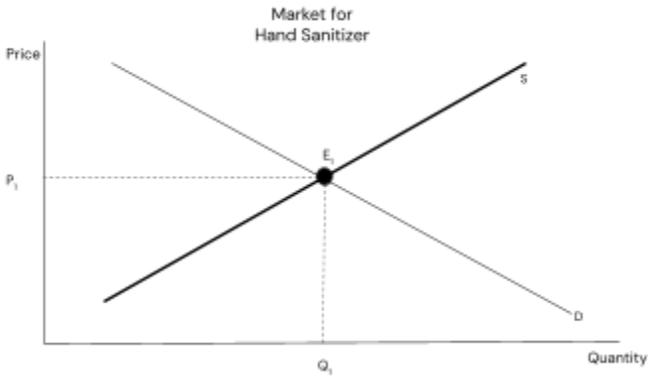
4. State the law of supply in your own words.

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5. Sketch the change in price for each example.



**Rate your understanding:**

- 6. Rate your current understanding of the law of supply.
- 7. What is confusing you?



<b>Practice Problems</b>		
Using what you learned about the <u>Law of Supply</u> , complete the practice problems below.		
<b>Scenario</b>	<b>1. Sketch the changes to quantity supplied based on the scenario.</b> <b>2. Label the new price and quantity supplied.</b>	<b>Explain the movement along the curve based on the change in price.</b>
<p>1. The price of baby formula has increased by 18% over the last year.</p>		
<p>2. The price for manual transmission cars (stick shifts) has decreased over the last 20 years.</p>		

3.  
The price of a dozen roses has increased from \$30 to \$50.

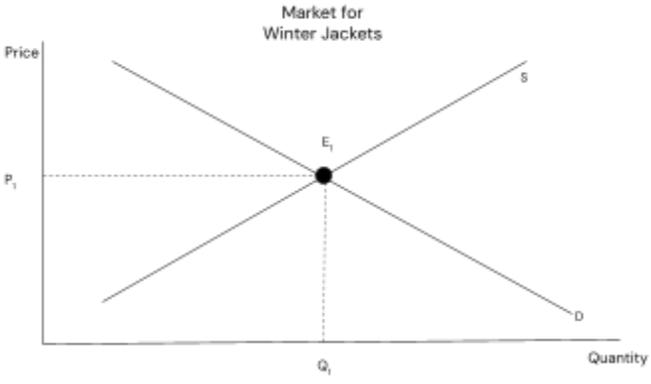
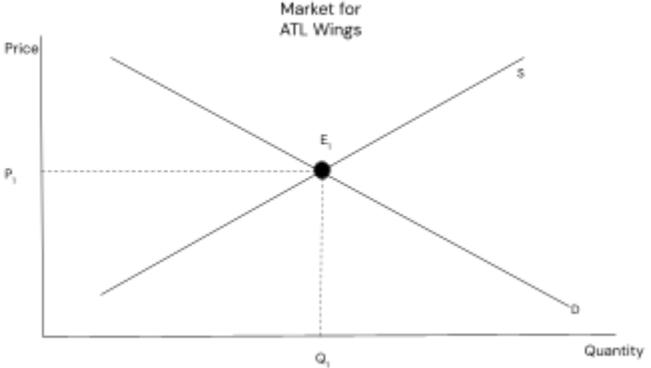
The graph is titled "Market for Roses". The vertical axis is labeled "Price" and the horizontal axis is labeled "Quantity". An upward-sloping supply curve (S) and a downward-sloping demand curve (D) intersect at an equilibrium point labeled  $E_1$ . Dashed lines from  $E_1$  indicate the equilibrium price  $P_1$  on the vertical axis and the equilibrium quantity  $Q_1$  on the horizontal axis.

4.  
The price of bathing suits fell 40%.

The graph is titled "Market for Bathing Suits". The vertical axis is labeled "Price" and the horizontal axis is labeled "Quantity". An upward-sloping supply curve (S) and a downward-sloping demand curve (D) intersect at an equilibrium point labeled  $E_1$ . Dashed lines from  $E_1$  indicate the equilibrium price  $P_1$  on the vertical axis and the equilibrium quantity  $Q_1$  on the horizontal axis.

**Law of Supply and Law of Demand Practice Problems**

Scenario	Which law is relevant? (Supply or Demand)	<ol style="list-style-type: none"> <li>1. Sketch the changes to quantity demanded based on the scenario.</li> <li>2. Label the new Price and Quantity Supplied.</li> </ol>	Explain the movement along the curve based on the change in price.
<p>5. Jorge bakes and sells 12 chocolate chip cookies at a local market for \$10 per dozen cookies. What will happen to the amount of cookies Jorge will bake if the price for a dozen cookies increases to \$20?</p>		<p>The graph is titled "Market for Jorge's Chocolate Chip Cookies". The vertical axis is labeled "Price" and the horizontal axis is labeled "Quantity". An upward-sloping supply curve (S) and a downward-sloping demand curve (D) intersect at an equilibrium point labeled <math>E_1</math>. Dashed lines from <math>E_1</math> indicate the equilibrium price of \$10 on the vertical axis and the equilibrium quantity <math>Q_1</math> on the horizontal axis.</p>	

<p>6. Winter jackets are on sale for 30% off. How will consumers respond?</p>			
<p>7. Mike and Cianna Kirksey opened ATL Wings in 2012. How will a 10% decrease in the price they can charge for wings change the number of wings the Kirksey's cook?</p>			

**Extension Questions:**

8. How is the law of supply similar to and different from the law of demand?

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9. How is the law of supply connected to the marginal principle?

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10. Explain how the law of supply relates to cost-benefit analysis and why it is important that a firm understands the law of supply.

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11. When there is a significant increase in the quantity demanded, what can we infer about the price of that good or service?

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## 2.4 Summarizer (Law of Supply)

Scenario Creator: \_\_\_\_\_

Period: \_\_\_\_\_

**INSTRUCTIONS:** Write your own scenario that demonstrates an example of the law of supply or the law of demand. Only discuss the change in price. Do NOT write which law is demonstrated.

*Example: The price of oranges increased. How will producers respond?*

**Use the template:** The price of \_\_\_\_ ( $\downarrow, \uparrow$ ). How will (consumers, producers) respond?

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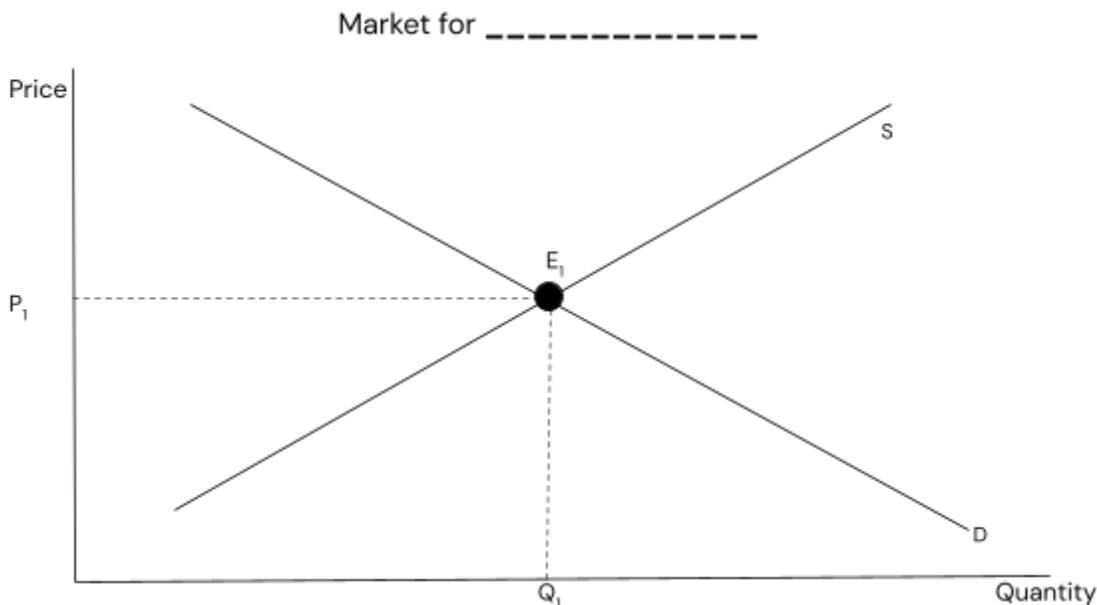


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Scenario Solver Name: \_\_\_\_\_

**Use the scenario above to answer the following questions.**

- Which law is demonstrated? Circle one  
 Law of Demand                      Law of Supply
- What happened to the price? Circle one  
 Price Increased                      Price Decreased
- What quantity will change? Circle one  
 The Quantity Demanded      The Quantity Supplied
- How will the quantity change? Circle one  
 Increase                              Decrease
- Illustrate the movement along the appropriate curve.



**Gauge Your Understanding:**

6. Rate your current understanding of the law of supply.
7. What is confusing you?

