

Civics and Economics Unit 9: The United States Economic System and Personal Financial Literacy

Supply and Demand

1. According to the law of supply and demand, what will happen to demand if price increases?

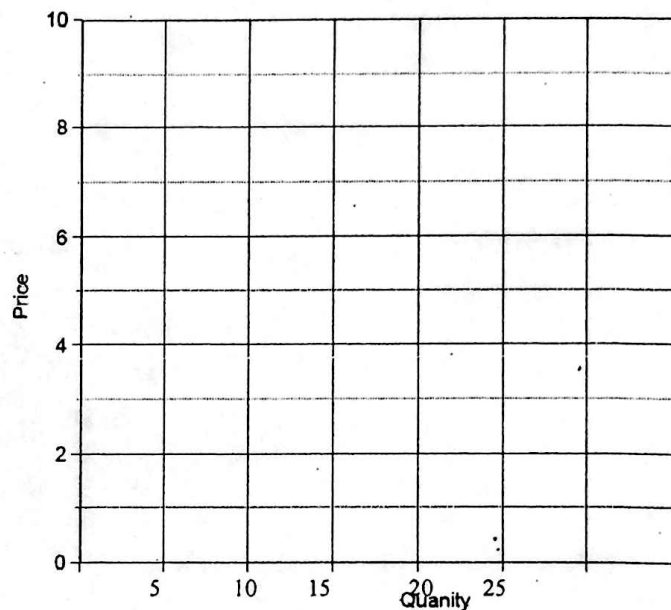
2. What will happen to supply if price increases?

Use the supply and demand schedules to graph the supply and demand curves and determine the equilibrium price.

Demand Schedule for Pizza Slices	
\$6	5
\$5	7
\$4	10
\$3	15
\$2	20
\$1	25

Supply Schedule for Pizza Slices	
\$6	25
\$5	20
\$4	15
\$3	10
\$2	5
\$1	0

Supply and Demand for Pizza Slices



3. What is the equilibrium price for pizza slices?

4. How many slices will be sold at this price?

5. If people got sick from eating the pizza, which direction would the demand curve shift?

6. If the pizza company found a cheaper place to buy tomatoes to make the sauce, which way would the supply curve shift?

7. In general, are pizza slices elastic or inelastic?

8. What does it mean to say a product is “elastic?” Give an example of product that would be considered inelastic.
9. Assume tacos are a substitute good for pizza. What will happen to the demand for pizza if the taco vendor puts tacos on sale for half price?
10. Assume soda is a complement good for pizza. What will happen to the demand for soda if the price of the pizza goes down?
11. What situation occurs if pizza is being sold for \$2?
12. What situation occurs if pizza is being sold for \$6?

Types of Businesses

Business	Description	Advantages	Disadvantages
Sole Proprietorship			
Partnership			
Corporation			

America’s Free Market Economy

13. Why do monopolies hurt free market systems?
14. What would result from increased competition in the market?
15. What is the law of diminishing returns?

Stock Market

16. Why do companies sell stock?

17. What is meant by the term bull market? Bear market?

18. What is a mutual fund?

19. What is a dividend?

Functions of Money

<u>Purpose</u>	<u>What does it mean?</u>
Medium of Exchange	It can be traded for goods and services (no additional info necessary)
Store of Value	It allows people to save money to use later (no additional info necessary)
Measure of Value	It is used to determine the worth of something (no additional info necessary).

20. What is bartering?

21. What is considered currency?

Personal Financial Literacy

22. Why is it important for individuals to keep a budget?

23. What is the difference between fixed and variable expenses?

23. What are the similarities and differences between a credit card and a debit card?



Vocabulary Activity 21

Supply

DIRECTIONS: Write a term from below in each blank in the following paragraphs.

elasticity	productivity	shortage	surplus
equilibrium price	profit	supply	technology
equilibrium price	profit	supply	technology

Whether you have a part-time job or receive an allowance from your parents, you are an active participant in the world marketplace. As a supplier of labor or a buyer of consumer goods, you help shape the decisions made by both small, local vendors and large, multinational companies such as McDonald's. It is always good to be an informed worker or consumer, and it helps to be familiar with some of the terminology that describes your everyday activities.

Let's start with that part-time job at McDonald's. You may find that at different times of the year, you may be offered lower or higher wages. For example, during the school year you may be offered higher wages. Why would this be? Let's think. Who is the bulk of the company's workforce? Teenagers, who make up a large portion of the labor force, must limit the amount of time they work because of school. This means that McDonald's labor (1) _____ is limited. This (2) _____ requires a company to make working for them more attractive. The reverse situation occurs when more teenagers are looking for summer jobs. During this period there is a (3) _____ of labor, and a company can be less generous in the wages it offers. This seesaw in wages and labor is a good illustration of supply (4) _____. If the need for labor and the availability of labor ever matched up exactly, the price paid for your work would be what is known as the (5) _____.

When a company must pay more for labor, it risks lowering its (6) _____ margin. In order to make a profit, a company looks for a high level of (7) _____ in its workers. To make sure the company turns out the most product with the fewest workers, McDonald's uses computers and other (8) _____ to speed up the process of ordering and making food.

Knowledge of the factors that affect your wages and the prices you pay can be very helpful as you head out to join the workforce. Good luck as you begin the process of finding your next job and negotiating your paycheck!

Review the Activities



Supply

Supply is the willingness and ability of producers to provide goods and services at different prices. In general, when prices go up, supply also goes up. When the change of price does little to change the supply, the supply is called inelastic. Products with inelastic supply, such as oil, require large sums of money to produce. Surpluses and shortages of supply occur when the equilibrium price, where supply equals demand, is not achieved. In a market economy, like the United States, market prices eventually move to an equilibrium price.

DIRECTIONS: Completing a Table Supply can increase and decrease depending upon several factors. Complete the table by writing the correct answer in the boxes. The options for the answers are listed below the table.

	Amount of Supply	Supply Curve Shift	Cost to Produce
Cost of Resources ↓		X	
Cost of Resources ↑		You do not have to do this column	
Productivity ↓			
Productivity ↑		X	
New Technology/ Speed of Production ↑		X	
Higher Taxes		X	
Lower Taxes		X	
Government Pays Subsidy		X	
Demand Expected ↑		X	
Demand Expected ↓		X	

Amount of Supply

- Increase
- Decrease

Supply Curve Shift

- Left
- Right


Cost to Produce

- Increase
- Decrease

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UNIT 6

Guided Reading Activity 21-2



Factors Affecting Supply



Reading Tip You will come across cause-and-effect relationships as you read this section. Keep in mind that a cause is something that produces another event, or the effect. An effect is the result of the cause.

DIRECTIONS: Write an answer to each question below in the space provided.

1. **Explaining** How does a decrease in supply affect the supply curve?

Do not answer this question.

2. **Identifying** What factors can cause a change in supply?

3. **Explaining** How does productivity affect supply?

4. **Summarizing** What effect does technology have on supply?


5. **Describing** How do increased government regulations affect supply?

6. **Defining** What are subsidies?

7. **Explaining** What is supply elasticity?

SECTION 21-2

Guided Reading Activity 20-2



Factors Affecting Demand



Reading Tip

As you read this section, try to sort the material into categories. What broad categories would you divide the information into? What would go into each category?

DIRECTIONS: Write an answer to each question below in the space provided.

1. **Listing** What causes market demand to change?

2. **Explaining** How can consumers' expectations reduce and increase demand?

3. **Comparing** Are butter and margarine substitute goods? Why or why not?

4. **Defining** What does it mean to say that two products are complements?

5. **Explaining** Why do expensive items have an elastic demand?

6. **Inferring** Why is the demand for insulin, a medicine for people with diabetes, inelastic?

7. **Analyzing** How might an attractive substitute for Product X affect the demand for Product X?

SECTION 20-2

Name _____
Date _____

Problems In Supply and Demand

Directions: Read the situations below and predict changes in price, demand, and/or supply. Explain why the changes are occurring.

1. A freeze in Florida damaged this year's orange crop and prices increased. How did the quantity of oranges that consumers demand change?
2. As offices and schools buy more and more desktop computers, what will happen to the number of typewriter repair shops? What will happen to the price of their services?
3. It's an early spring and the demand for swimsuits soars. What will happen to the supply and price of swimsuits?
4. High-tech athletic shoes are stylish and in demand, but producers have manufactured more than consumers want to buy. What will happen to price and supply?
5. An insect pest destroys 30 percent of this year's cotton crop. What happens to the price of cotton shirts and the demand for polyester shirts?
6. Chicken is in great demand and chicken producers doubled their price. What happened to the quantity of hamburger people decided to buy?