

***Economics: A Christian Worldview*– Price, Supply, and Demand Simulator**

(TEACHER INSTRUCTIONS/KEY)

Purpose

Train students to recognize what happens to price, supply, and demand when certain economic scenarios—some natural, some artificial—affect the production of an item (this time: bread).

Time

15-20 minutes.

Instructions

1. Print this page for yourself and Page 2 for each student.
2. Students work individually for 5 minutes, then work in pairs for 5 minutes.
3. Review as a class.

Questions/Key

1. Price ↓ Supply ↑ Demand steady
2. Price ↑ Supply ↓ Demand ↓ slightly
3. Price ↑ Supply ↑ Demand ↑
4. Price fixed low → Shortage
5. Price fixed high → Surplus
6. Price ↑ Demand ↑ Supply ↑
7. Price ↓ Demand ↓ Supply ↓
8. Price ↓ Supply ↑ Demand ↑
9. Price ↓ Demand ↓ Supply ↓
10. Price ↑ Supply ↓ Demand ↓

Wrap-Up Questions

- **What does the term *price equilibrium* mean?**

Answer: This was explained in the tire store situation, in which more tire companies compete with a single tire store, lowering the prices until they reach *equilibrium*—the price at which the consumer is willing to pay and the tire store owner can make a living.

- **Which of the situations involved an artificial distortion of this equilibrium?**

Answer: 4, 5, and 10 (the ones in which government involved itself).

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A town has only one bakery. Bread price = \$4 per loaf. For each situation, answer the following questions:

1. What happens to price?
2. What happens to supply?
3. What happens to demand?

(Feel free to use ↑ for “increases,” ↓ for “decreases,” and → for “stays steady.”)

Situations:

1. Two new bakeries open.
PRICE: _____ **SUPPLY:** _____ **DEMAND:** _____
2. A wheat shortage occurs.
PRICE: _____ **SUPPLY:** _____ **DEMAND:** _____
3. A snowstorm increases the desire for bread purchases.
PRICE: _____ **SUPPLY:** _____ **DEMAND:** _____
4. Government sets the *maximum* price of a loaf of bread at \$2.
PRICE: _____ **SUPPLY:** _____ **DEMAND:** _____
5. Government sets the *minimum* price of a loaf of bread at \$6.
PRICE: _____ **SUPPLY:** _____ **DEMAND:** _____
6. Household incomes increase.
PRICE: _____ **SUPPLY:** _____ **DEMAND:** _____
7. A recession hits town.
PRICE: _____ **SUPPLY:** _____ **DEMAND:** _____
8. New baking technology lowers costs of baking bread.
PRICE: _____ **SUPPLY:** _____ **DEMAND:** _____
9. A new gluten-free trend makes bread less popular.
PRICE: _____ **SUPPLY:** _____ **DEMAND:** _____
10. Government taxes flour heavily.
PRICE: _____ **SUPPLY:** _____ **DEMAND:** _____

