



# The Economics of Economics

EPISODE #505

## ACTIVITIES & LESSONS

### LESSON LEVEL

Grades 6-8

### KEY TOPICS

- Economics
- Decision Making

### ENTREPRENEURS & STORIES

- Hoppy Days – Michelle
- Compartes Chocolatiers – Jonathan
- Lickity Splits – Joe
- Crystal Clean Auto Detail – Ross
- City Servers – Meredith

### EPISODE SYNOPSIS

How do economic principles influence your daily life?

Learn about everything from macro to micro economics, supply and demand, and other economic indicators. Discover how individuals, business leaders, and even the leaders of countries use economic principles to make decisions. It's all economics!

### LEARNING OBJECTIVES

1. Identify different economic concepts.
2. Distinguish between macro and micro economics.
3. Become aware of the laws of supply and demand.
4. Take responsibility for personal financial decisions.

### NATIONAL STANDARDS CORRELATIONS

Aligned to National Financial Literacy Standards from the *Jump\$tart Coalition for Personal Financial Literacy* in the area of Financial Responsibility and Decision Making.

#### Overall Competency:

Apply reliable information and systematic decision making to personal financial decisions.

#### Standard 1:

Take responsibility for personal financial decisions.

#### Standard 4:

Make financial decisions by systematically considering alternatives and consequences.

Aligned to Voluntary National Content Standards in Economics from the *Council for Economic Education*.

#### Standard 1:

Scarcity

#### Standard 2:

Decision Making

#### Standard 4:

Incentives

#### Standard 8:

Role of Prices

### CONTENTS

- Lesson Prep & Screening
- Activity #1
- Curriculum Connections
- Activity #2
- Biz Terms Vocabulary
- Family Activity Sheet



# LESSON PREP & SCREENING

## Getting Started

Familiarize yourself with the episode ahead of time. It will serve as a springboard for student learning, discussions, vocabulary exploration, and hands-on activities. Determine what is required to show the episode in your classroom and borrow equipment if needed. Choose an activity (each one takes between 45-60 minutes), and gather supplies. Have fun!

## Equipment & Supplies

For all activities, students will need a pen or pencil. Additional equipment needs are identified on the activity pages.

## Screening

Introduce the series and the episode. Then, prior to playing the episode, lead your students in a discussion with the preview questions on this page. Explain that **Biz Kid\$** is a public television series that teaches kids about money and business. Also mention that the bizkids.com website has lots of video clips, games, a blog, and other resources.

## About the Episode

How do economic principles influence your daily life? Learn about everything from macro to micro economics, supply and demand, and other economic indicators. Discover how individuals, business leaders, and even the leaders of countries use economic principles to make decisions. It's all economics!

## Preview Questions

- Think of a product that your family uses. Can you list all of the businesses that contributed to making that final product available to you? For example, if you like carrots, do you buy them at a grocery store or a farmer's market? Who grew the carrots? Was there a company that transports the carrots from the grower to the packagers? How do the carrots get from the packagers to the store or farmer's market? Does a marketing company design the package that contains the carrots? How does each step of the process contribute to the cost of carrots?
- Demand for consumer goods and services is created in many ways. Discuss how peer pressure can affect your financial decisions.
- We will be learning about supply and demand. What happens to the price of concert tickets when the number of seats and tickets is limited, and the demand for tickets is high?

## Summary & Conclusion

Economics is not just money. It is about businesses and how they work. It's about making choices, sometimes very difficult ones. Supply and demand is a powerful thing; it can force you to go without, pay more than you want to, or force you to look elsewhere for the things you want. If something isn't available that you want, remember the economic forces of supply and demand, as well as the other forces, and the consequences of your decision making. Financial choices that people make have benefits, costs, and future consequences. What choices will you make?

## Family Connection

Distribute a copy of the Family Activity Sheet to each student to share what they've learned with their families.



## Activity #1:

# SUPPLY & DEMAND

### Activity Learning Objectives

- Use a graph to predict outcomes based on the law of supply and demand.
- Introduce *Biz Terms* and definitions used in the episode.

### Episode Details

How do economic principles influence your daily life? Learn about everything from macro to micro economics, supply and demand, and other economic indicators. Discover how individuals, business leaders, and even the leaders of countries use economic principles to make decisions. It's all economics!

### Directions

Read the episode details out loud to the class. Hand out the worksheets titled "For Students" and discuss them together in class. Read the *Biz Terms* and discuss the vocabulary/episode review questions. Call on volunteers for answers, and have them explain to the group why they chose the term they believe to be correct.

Then, give the students time to complete worksheets. Finally, acting as a facilitator, allow students to discuss the issues of supply and demand and how these affect the price of goods and services each day. See Curriculum Connections on page 6 for additional ways to work with *Biz Terms*. (Note: the definitions are on page 8.)

### Activity Wrap-Up

Thank the students for their participation, and remind them that it is important to understand how the economy affects them each day. Supply and demand, interest rates, and other features of the economy have a direct relationship to the value of their money.



# SUPPLY & DEMAND

## WORKSHEET FOR STUDENTS

### Biz Terms

- Consumer Price Index
- Cost/benefit analysis
- Depression
- Economics
- Economic indicators
- Gross Domestic Product
- Incentives
- Inflation
- Interest rate
- Laws of supply and demand
- Macroeconomics
- Microeconomics
- Recession
- Scarcity

### Episode Review

1. The lack of a product or service that is in demand is called \_\_\_\_\_.
2. The “Big Mac Index” is one example of a(n) \_\_\_\_\_.
3. The study of the economics of an entire country or the world is \_\_\_\_\_.
4. \_\_\_\_\_ is the study of the economic behavior of individuals, firms, and markets.
5. The relationship between consumers and producers, tracked by the price of goods, is termed the \_\_\_\_\_.
6. A reward or benefit that motivates people to do something, whether positive or negative, is a(n) \_\_\_\_\_.
7. The branch of social science that deals with the production, distribution, and consumption of goods and services is called \_\_\_\_\_.

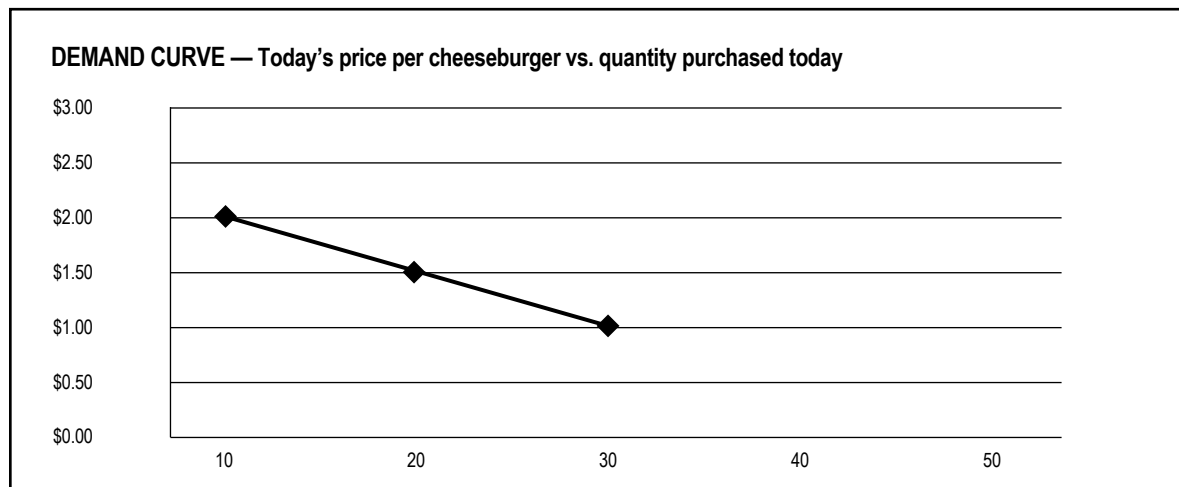


# SUPPLY & DEMAND

## WORKSHEET FOR STUDENTS

### Directions

Take a look at the Demand Curve graph below. When cheeseburgers are listed at \$2.00 each, the store sells 10 in one day. When cheeseburgers are listed at \$1.00 each, the store sells 30 in one day.



1. If the price of cheeseburgers goes down to \$.50 each, predict how many cheeseburgers the store would sell in one day and why.
2. If the price of cheeseburgers goes up to \$2.50 each, how many cheeseburgers should the store have on hand that day to sell?
3. Suddenly, the price of beef goes up! What will happen to the price of cheeseburgers?
4. The store owner's landlord raises his rent, and the cost of electricity rises. Will the cost of a cheeseburger be affected, and if so, how will it change?
5. The store owner gets a great deal on cheese for this month. Instead of paying \$.10 per slice, the cost of cheese goes down to \$.05 per slice. If you were the store owner, what would you do to encourage your customers to buy more cheeseburgers?

### Extra Credit

- In economics classes, there is a graph that shows both a demand curve and a supply curve on the same graph. Look online or in a library book for a supply and demand graph, then add a line on the graph above for the Supply Curve.
- What predictions regarding supply and demand for her rabbits did Michelle of "Hoppy Days" use in determining her prices?
- How did the economic downturn lead to the creation of "City Servers" by Meredith?



# CURRICULUM CONNECTIONS

## Language Arts

- Have students construct sentences; write a paragraph; or create a story, skit, or dialog using *Biz Terms*.
- Have students create a class dictionary of financial terms.
- Have students start their own journal of personal financial education and continue to add to it.

## History/Social Studies

- The Consumer Price Index tracks the price of specific basic household items over time. If students were going to create their own index, the Student Price Index, what products would be listed for that index and why? Have the class track their own Student Price Index for the month. Discuss changes in their index and whether or not those changes were the result of supply and demand alone, or if inflation and interest rates were also involved.

## Mathematics

- Have students graph the price of a gallon of milk from the years 1950, 1960, 1970, continuing up to the present decade. Ask students to determine whether the price changes over time were due to supply and demand alone, or if other factors such as inflation and interest rates were also involved.

## Economics

- Explain how global price fluctuations impact “Compertes Chocolatiers”?
- Describe the cost/benefit analysis that did Joe before starting the business “Lickity Splits”?
- Describe how the economic downturn benefits “Crystal Clean Auto Detail.” What economic changes might affect the demand for Ross’ business going forward?

## Optional Vocabulary Extensions

### Make Art!

Ask students to create personal illustrated glossaries using sketches or cartoons to visually represent the meaning of each *Biz Term*.

### Make It Personal!

Provide students with dictionaries and ask students to re-write formal definitions for each *Biz Term* in their own words to demonstrate comprehension.



## Activity #2:

# CHEESEBURGER INDEX

### Activity Learning Objectives

- Create a map of cheeseburger prices across the world.
- Describe how supply and demand affect prices worldwide for the same item in different countries.
- How do the customs or cultural preferences of a country affect the demand for cheeseburgers?

### Episode Details

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### Supplies Needed

Computers, access to Internet, and printers.

### DIRECTIONS FOR STUDENTS

You will be creating your own “cheeseburger index.” Select five countries from around the world and list the names in the table below. Use the internet or ask people you know who live in other countries what the price of a cheeseburger is there. To be consistent in the type of cheeseburger you are estimating, you may want to choose an international chain such as McDonalds or Burger King. Then, use a website such as [www.xe.com/ucc/](http://www.xe.com/ucc/) to find the exchange rate and convert the price to U.S. dollars. Keep in mind prices may seem inexpensive in places where the cost of living is lower and wages are lower.

<i>Country</i>	<i>Price of cheeseburger</i>
United Kingdom	.99 British Pounds

<i>Country</i>	<i>Price</i>	<i>U.S. Dollars</i>
United Kingdom	.99 British Pounds	\$1.57

- Which country has the most expensive cheeseburger?
- Which country has the least expensive cheeseburger?
- Can you name a country where most of the people who live there do not eat cheeseburgers for cultural or religious reasons? Would you be able to find a cheeseburger in that country? Since the demand is low, how would that affect the price?

### Extra Credit

Download a blank world map from the internet, and plot your cheeseburger prices in U.S. Dollars across the map. Do you see any trends?





# BIZ TERMS DEFINITIONS

- *Consumer Price Index*: A government-issued inflationary indicator that measures the change in the cost of basic consumer goods and services.
- *Cost/benefit analysis*: A technique used to determine whether the cost of a decision will be worth the benefit that it gives you.
- *Depression*: A severe, sustained downturn in economic activity that lasts for several years.
- *Economics*: The branch of social science that deals with the production, distribution, and consumption of goods and services, and their management.
- *Economic indicators*: Measures of the economy which may include inflation, interest rates, unemployment, Gross Domestic Product, Gross National Product, and the Consumer Price Index for the purpose of showing whether or not the economy is growing.
- *Gross Domestic Product (GDP)*: The market value of all officially recognized final goods and services produced within a country within one year.
- *Gross National Product (GNP)*: The total dollar value of all final goods and services provided for consumption in society during a particular time period; closely aligned with the GDP.
- *Incentives*: Rewards or benefits such as money, an advantage, or a good feeling that motivates people to do something. Incentives can be positive or negative. This is a Microeconomic idea.
- *Inflation*: Increase in the overall price level for consumer goods and services that reduces the value of money.
- *Interest rate*: The percentage you will be charged for borrowing money.
- *Laws of Supply and Demand*: Supply and Demand are two very strong market concepts that show the relationship between producers and consumers, and the price of goods. For example, one of these laws states that when supply goes up, price may go down.
- *Macroeconomics*: The economics of a single country, or even the world, in terms of the total amount of goods and services produced, total income earned, and the level of employment of productive resources.
- *Microeconomics*: The economic behavior of individuals, firms, and markets.
- *Recession*: A business cycle slow-down in economic activity for two consecutive quarters (six months); not as severe as a depression.
- *Scarcity*: A lack of goods or services that people demand or want because human wants exceed the capacity of available resources.





# FAMILY ACTIVITY SHEET

## Episode Synopsis

How do economic principles influence your daily life? Learn about everything from macro to micro economics, supply and demand, and other economic indicators. Discover how individuals, business leaders, and even the leaders of countries use economic principles to make decisions. It's all economics!

## Activity Suggestions

Financial choices that people make have benefits, costs, and future consequences.

- What are some choices you have made as a family because you could not have everything that you wanted?
- If the family has a day off to spend together, how do you decide how to divide your time? For example, would you choose to go to a movie or to volunteer your time at a local non-profit? How does that affect the economy in your community?
- Within your family, what are some non-monetary incentives that are used to encourage positive behavior?
- Interview family members about prices that they paid for things when they were the age that you are today. For example, when I was your age postage stamps were \$.10 each! Make a poster with pictures or drawings of these products and the 'earlier' and 'current' prices.



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