



## ECONOMICS - SCULPTURE OF AMERICAN LIFE

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**Subject Matter: Economics - Supply and Demand, Scarcity and Opportunity Costs**

**Grade Levels: 11-12**

**Time Allotment: Five 45-minute class sessions**

**Master Teacher: Mary Groves**

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### Overview

More than anything else, supply-and-demand economics created the America we know today. The study of economics is too complex to cover in one or two lessons, but the concepts of supply and demand, and scarcity and opportunity costs, can be introduced and explored. Understanding these concepts and how they function in our lives today is the scope of this study.

### Learning Objectives

Students will be able to:

- Explain how supply and demand affects their purchase options.
- Explain how scarcity and opportunity costs affect business decisions.
- Explain how business decisions, based on scarcity and opportunity costs, affect their ability to get and keep a job in a particular industry.

### Oregon Standards Available at:

<http://www.ode.state.or.us/cifs>

### Social Sciences - Economics

- Understand how consumer demand and market price directly impact one another.
- Understand how government can affect the national economy through policy.
- Understand the purposes and functions of major international economic organizations and the role of the United States in them.

## National Economic Standards From the National Council on Economic Education

(<http://www.economicamerica.org/standards/cs1.html>)

### Content Standard 1

Choices made by individuals, firms or government officials often have long run unintended consequences that can partially or entirely offset the initial effects of the decision.

<http://www.economicamerica.org/standards/cs2.html>

### Content Standard 2

1. Marginal benefit is the change in total benefit resulting from an action. Marginal cost is the change in total cost resulting from an action.
2. As long as the marginal benefit of an activity exceeds the marginal cost, people are better off doing more of it; when the marginal cost exceeds the marginal benefit, they are better off doing less of it.
3. To produce the profit-maximizing level of output and hire the optimal number of workers and other resources, producers must compare the marginal benefits and marginal costs of producing a little more with the marginal benefits and marginal costs of producing a little less.
4. To determine the optimal level of a public policy program, voters and government officials must compare the marginal benefits and marginal costs of providing a little more or a little less of the program's services.

## Media Components

### Video

Check the link at <http://www.opb.org/edmedia/trs/> to find access to the video(s) from unitedstreaming<sup>TM</sup> referenced in this lesson plan.

- “Fundamental Economic Concepts” (29:16)
  - **Clip:** “Economics: The Foundation of Survival” (01:00)
  - **Clip:** “Scarcity” (03:27)
  - **Clip:** “Opportunity Cost” (03:01)
  - **Clip:** “Free Market Economy” (17:34)

### Web

- **Escape From Knab**  
An economic unit set in cyberspace that provides students with an opportunity to

experience some of the issues of living on their own, working and “needs” versus “wants.”

<http://www.escapefromknab.com/>

- **Exploring Supply and Demand**

This Web site provides students with an explanation of supply and demand, as well as provides them with a five-question quiz on the subject with great feedback.

[http://ecedweb.unomaha.edu/Dem\\_Sup/econqui2.htm](http://ecedweb.unomaha.edu/Dem_Sup/econqui2.htm)

- **Practical Money Skills for Students**

Decision-making issues involve the understanding of terminology and concepts related to money. This Web site provides students with terms (Decision-Making Lessons, pages 2-5 in PDF format) along with four pages of student activities (Student Activities 1-4 in PDF format).

<http://www.practicalmoneyskills.com/english/students/lesson.php?id=45&ids=44:45:46:47:48::49:50:51:52>

- **Making Decisions Online Quiz**

This Web page provides students with an assessment opportunity to judge their understanding of the terms and decision-making process.

[http://www.practicalmoneyskills.com/cgi-bin/english/quiz3/disp\\_quiz.pl?lesson=01](http://www.practicalmoneyskills.com/cgi-bin/english/quiz3/disp_quiz.pl?lesson=01)

- **Wall Street Journal/Classroom Edition**

This Web site provides articles for teens on economic issues.

<http://www.wsjclassroomedition.com/index.html>

## Prep for Teachers

Prior to teaching this lesson, bookmark all of the Web sites used in the lesson on each computer in your classroom.

Download the video clips onto the computer you will use to project the clips. Be certain each computer in the classroom has a copy of the free Windows Media Player installed (some clips aren't available for use with QuickTime Player). Also download Flash and Shockwave at

<http://www.macromedia.com/downloads/>.

Download the following PDF files:

- Lesson: Making Decisions, Student Materials Page 1-B at <http://www.practicalmoneyskills.com/english/students/lesson.php?id=45&ids=44:45:46:47:48::49:50:51:52>. (Create overhead transparencies for this page.)
- Student Activities to Accompany Making Decision Lesson Pages 1-4 at <http://www.practicalmoneyskills.com/english/students/lesson.php?id=49>

When using media, provide students with a **Focus for Media Interaction**, a specific task to complete and/or information to identify during or after viewing of video segments, Web sites or other multimedia elements.

## Materials

### Per Class:

- Transparency of Overhead 1-B
- Overhead projector
- 20-30 old magazines that can be cut up
- Scissors for each group of 4 students

### Per Student:

- Use of a computer with Internet connectivity
- Enough small bags of M&M's for part of the class (See Introductory Activity for more information.)
- Copies for each student of Activity 1-1 at <http://www.practicalmoneyskills.com/english/students/lesson.php?id=49>

## Introductory Activity

**Step 1:** To introduce this material, explain to students that you have made an error and only have enough M&M's for part of the class. Ask students: "Who would be willing to forgo the M&M's?" Explain that there are no more M&M's (the shipment got lost) and this is a "one time only" offer. After the inevitable discussion, distribute the M&M's. Make note of the interactions among the students and the redistribution of the M&M's. Explain to students that they just experienced economics in action. Economics is not a subject matter, but a set of principles to explain behavior – the choices people make. The first principle of economics is that of supply and demand. Here in this classroom, the demand for M&M's was greater than the supply. We will be viewing a video clip in a moment. During the video, it is stated that there is an economic element to almost any problem in the world. As a **Focus for Media Interaction**, students should write down one problem that they think the world has today and the economic component of that problem. **Play** the video clip, "Economics: The Foundation of Survival" (01:00), from the video, "Fundamental Economic Concepts" (29:16). Upon completion of the clip, have students list what they have decided are the economic components of a problem in the world. Direct students to a specific issue or two if students don't introduce them (i.e., Gulf War 2).

## Learning Activities

### Activity 1

**Step 1:** Using the overhead transparency 1-B created from the Web site at

<http://www.practicalmoneyskills.com/english/students/lesson.php?id=44&ids=44:45:46:47:48::49:50:51:52> (page 1 or 5), discuss factors that can influence a decision:

- a) Ask students to think about times in their past that they have acted a certain way because of the people around them. For example, how do teens behave around adults versus how they behave around other teens? How much influence does the peer group have on one's behavior in specific settings? Have students compare the discussion of a football game in the locker room versus that same discussion at the family dinner table. Divide the students into groups of four and have students list words that they would use in each circumstance. List each group's conclusions and discuss as a whole class.
- b) Ask students to cross their arms; then have students cross their arms in the opposite direction. This can illustrate the concept of a "comfort zone" or a habit. Tell students that we all have habits and we form many of our habits because they are comforting or something we can control. Assign students to observe one habit in every family member at home and make a chart of the habits and the reasons for the habits.
- c) Ask the students if they have ever told another person of the opposite gender that they like them. Ask each student to think about the reaction they got and if they could relive that moment, would they have said the words aloud or not. Conversely, have they ever experienced a situation when they regretted not saying something? Discuss with students why not making a decision is just as powerful as making a decision in some cases. Create a list and post it in the classroom, referring to it in class and adding to it as the need arises.
- d) Have students write a short essay (one page) about an action that a family member took that influenced their decision. Ask a student volunteer to read their essay.
- e) Divide students into groups of four and distribute several old magazines and scissors to each group. Have each group create a collage of risks and consequences using pictures they find in the magazines. Each collage should be accompanied with a short written explanation with the group names on the bottom. Post on the classroom walls and have each group explain their collage to the whole class.
- f) Have students compile a list of five issues that have different consequences for adults versus minors. Have each student pick another student as a partner and compare lists. These two students then partner with another group and combine their lists until there are a total of four or five lists. Have students create a master list on the whiteboard, making

sure not to duplicate others' ideas. Discuss with the class the influence age can have on decision-making.

**Step 2:** Remind students of the M&M's and explain that they had experienced another principle of economics, that of scarcity. As a **Focus for Media Interaction**, have students identify on paper two areas of scarcity that affect their lives. **Play** the video clip, "Scarcity" (03:27), from the video, "Fundamental Economic Concepts" (29:16). Upon completion of the areas of scarcity in their lives, ask students to identify if the reason for the scarcity is time, geography, personal decisions or some other factor.

**Step 3:** Explain to students that now that they have experienced some economic factors and have discussed and identified decision-making factors, we are going to work through a decision-making process. Using the downloaded PDF file Activity 1-1 from <http://www.practicalmoneyskills.com/english/students/lesson.php?id=49> (page 4 of 4), have students:

- Identify the problem or goal.
  - Where to live when you graduate from high school/college (suggested goal)
- Obtain information and think about possible courses of action or possible alternatives.
  - Live at home
  - Live at home and pay rent to parents
  - Rent an apartment
  - Live alone
  - Share an apartment
  - Live in college dorm
  - Live in fraternity or sorority house
  - Live in trailer park or mobile home
- Consider the consequences of each choice (action) and evaluate the alternatives.
- Select the best course of action.
- Evaluate the results.

**Step 4:** Have students log on to the Internet and as a **Focus for Media Interaction**, have students complete the online, interactive quiz at

[http://www.practicalmoneyskills.com/cgi-bin/english/quiz3/disp\\_quiz.pl?lesson=01](http://www.practicalmoneyskills.com/cgi-bin/english/quiz3/disp_quiz.pl?lesson=01).

## Activity 2

**Step 1:** Remind students that they have experienced scarcity with the M&M's and they have practiced decision-making principles concerning their future. They are now going to view a video clip concerning opportunity costs. As a **Focus for Media Interaction**, have students write down their predictions about what they think the phrase "opportunity costs" means. **Play** the video clip, "Opportunity Cost" (03:01), from the video, "Fundamental Economic Concepts" (29:16).

**Step 2:** Tell students that they are now going to experience decision-making and opportunity costs in an online game. Have students log on to the Internet at <http://www.escapefromknab.com/>. Read the instructions for the game aloud to students before they begin. As a **Focus for Media Interaction**, have students play the game, checking to see which students made good enough decisions to return to earth.

**Step 3:** Using the online version of the Wall Street Journal/Classroom Edition at <http://www.wsjclassroomedition.com/index.html>, have students write an essay on an example of a scarcity in today's headlines, decision-making concerning that scarcity and the opportunity costs that it represents.

## Culminating Activity

**Step 1:** Explain to students that they have experienced a few basic principles of economics. What are some of the other principles that affect our economy? As a **Focus for Media Interaction**, have students list some of the principles or examples of principles (i.e., banking, specialization, etc.). **Play** the video clip, "Free Market Economy" (17:34), from the video, "Fundamental Economic Concepts" (29:16), and **pause** at 06:00.

**Step 2:** Have students interview their parents or another adult to learn about the forces that shape work experiences today. Interview questions could include:

- What does your job involve?
- How did you develop the skills necessary to do your job?
- Do you belong to a union? If so, how does the union affect your work life?
- How has this kind of work changed since you first joined the work force and why?
- How has technology affected your work life?
- What similarities or differences do you see between your work life and your parents' or grandparents' work lives?
- Have students share their interviews with the class in a PowerPoint presentation. Discuss similarities and differences in the presentation.

## Cross-Curricular Extensions

### History

- In the 1800s, many settlers came to Oregon. What economic conditions existed before their arrival in contrast to the economic conditions that resulted from their arrival? Create a graph that charts the historical changes that white settlement brought to Tillamook County.

**Science**

- Tillamook, Oregon is dairy country. Create a PowerPoint presentation, using a digital camera, reviewing the scientific changes in milking that have occurred in a dairy in Tillamook County. Provide examples of the economic principle that helped to bring about these scientific changes.

**Business**

- Have students develop a business plan for a new product that they have just invented. The plan should include marketing, investment sources and issues, product production, transportation, fees and licenses.

**Community Connections**

- Invite the local grocery owner to discuss the economic principles that impact food distribution and how that affects their business. Specifically, how do transportation requirements affect cost and product selection?
- Schools are currently experiencing very difficult financial times. Invite the superintendent or president of the school board to your class to discuss the economic issues schools are facing and possible solutions to the current economic problems.