



The Role of Prices | Lesson Plan

How do prices help balance the needs of consumers and producers in a market economy?

Students will understand that in a free market, prices are determined by the interaction of supply and demand. These signals help allocate resources efficiently and balance the interests of consumers and producers.

Learning Objectives:

- Describe how prices are determined by the interaction of supply and demand, using examples to illustrate equilibrium price, surplus, and shortage.
- Explain how prices act as signals for consumers and producers, influencing their decisions in a market economy.
- Analyze how shifts in supply or demand impact prices and lead to changes in production and consumption.
- Evaluate the role of prices in allocating scarce resources efficiently in a free market, comparing the impact of price changes on different industries.
- Create a scenario that demonstrates how a business adjusts pricing strategies in response to changes in supply, demand, and competition.

Key Vocabulary:

- **Equilibrium Price:** The price at which the quantity of a product supplied matches the quantity demanded, ensuring everything produced is sold.
- **Supply:** The quantity of a good or service that producers are willing and able to offer for sale at different prices.
- **Demand:** The desire and ability of consumers to purchase a good or service at different prices.
- **Surplus:** A situation where the supply of a product exceeds the demand, often leading to a reduction in price.
- **Shortage:** A situation where the demand for a product exceeds the supply, often leading to an increase in price.
- **Price Signal:** The idea that prices are a form of efficient communication between consumers and producers about supply and demand.

Educational Standards: CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

Academic Subject Areas: Economics, Financial Literacy, Decision Making, Personal Finance



Scan to watch episode:

What You'll Need

- Video: *Ca\$h Cour\$e: The Role of Prices* (Watch [Here](#))
- Worksheet: *Ca\$h Cour\$e: The Role of Prices* (Click [Here](#))
- Classroom whiteboard and dry-erase markers (or use a technology solution if available).

Lesson Plan (45 mins.)

Warm: Up: (10 mins.)

1. Begin by asking students the following questions:
 - Have you ever noticed how prices for certain things—like concert tickets or popular sneakers—can go up or down?
 - Can you think of a time when you decided not to buy something because it was too expensive or waited for a sale to buy something?
2. Let a few students share their answers. Encourage them to describe what influenced their decisions, such as price, availability, or competition with others trying to buy the same product.
3. Explain that their decisions were influenced by prices, which act as signals in the economy. Tell them the lesson today will explore how prices are determined, why they change, and how they impact the choices of individuals and businesses.
4. Present the class with a simple scenario that applies the concepts of supply, demand, and price signals to their own lives, for instance:
 - Imagine your favorite band is coming to town for a concert, but tickets are limited. The concert venue only has 500 tickets available, but 1,000 people want to go. At first, the tickets are being sold for \$50 each, and everyone rushes to buy them. Soon, people start reselling the tickets for \$100, then \$200, because so many people want to go. What would you do? Would you buy a ticket at a higher price or wait for the price to drop?
5. After discussing the scenario, summarize the key concepts introduced:
 - Prices are influenced by supply (how many tickets are available) and demand (how many people want to buy tickets).
 - When demand is high and supply is limited, prices tend to rise.
 - Prices act as signals to both consumers (whether they should buy) and producers (how much they should sell or produce).
6. After students understand how prices are influenced by supply and demand, introduce the key vocabulary by writing each term on the board and explaining its definition. Provide students with a note-taking sheet where they can record the definitions and examples for each term as you go over them. Encourage students to consider how each term relates to how prices function in the economy.

Watch and Apply: (25 mins.)

1. Tell students they will be watching *Ca\$h Cour\$e: The Role of Prices*, which further explains the concept of prices. Ask students to take further notes on the examples provided in the video.

2. Immediately after the video, ask students to summarize the key points:
 - What role do prices play in a free market?
 - How do prices act as signals for both consumers and producers?
 - What are some examples from the video where price changes affected supply, demand, or production?
3. Hand out the worksheet and allow students to complete it individually or in pairs.
4. When finished, go over the worksheet with the class, inviting students to share their answers and clarify any areas of confusion.

Wrap: Up: (10 mins.)

1. Recap the main points of today's lesson, reinforcing the role of prices, for instance:
 - Prices are determined by the interaction of supply and demand. They act as signals for both consumers and producers.
 - Prices rise when demand is high and supply is limited, and they fall when the supply exceeds demand.
 - Prices help businesses decide what to produce, how much to produce, and how to allocate their resources.
2. Exit Ticket: End the lesson by asking students to answer this question on an index card or on the back of their worksheet:
 - In your own words, explain how prices are determined in a free market.
3. Collect the responses and completed worksheets as students leave to check their understanding and encourage them to reflect on the lesson.

Don't have time for the full lesson? Quick Activity (10-15 mins.)

Distribute the worksheet and allow students to complete it while they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.