SSEMI2a: **The student will explain how the Law of Demand, the Law of Supply, prices, and profits work to determine production and distribution in a market economy.**

1. Read information below
2. Watch video from St. Louis Fed on Demand <http://www.stlouisfed.org/education_resources/economic-lowdown-video-companion-series/episode-2-demand/>
3. Using the video fill in the blanks below.

Law of Demand: Demand represents consumers \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to purchase at a variety of prices. As prices goes up, the quantity demand will go \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. As prices go down, the quantity demand will go \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

***Option #1***

Mrs. Foster only got 3 hours of sleep last night. She desperately needs caffeine. The price of cokes is normally $1 but today its 75₵ each.

Draw an arrow to represent what will happen to price and draw a second arrow to indicate what will happen to quantity demand. *Label each arrow!*

1. Watch video from St. Louis Fed on Supply <http://www.stlouisfed.org/education_resources/economic-lowdown-video-companion-series/episode-1-supply/>
2. Using the video fill in the blanks below.

Law of Supply: Supply represents producers \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to produce. As prices go up, the quantity supply will go \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. As prices go down, the quantity supply will go \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

***Option #2***

Krispy Kreme on Cobb Parkway Drive normally makes 6 dozen donuts per day. However their glaze supplier just let them know that glaze prices have fallen. What will happen to the number of donuts they can make?

Draw an arrow to represent what will happen to price and draw a second arrow to indicate what will happen to quantity supply. *Label each arrow!*