

Name _____

Date _____

Supply and Demand

Have you ever gone to the cupboard to find there are no cookies left? Have you and a friend ever argued over a toy? If your answer is “Yes,” then you already know something about **supply** and **demand**.

Supply is how much of an item there is. For instance, if a store has 10 toy cars to sell, their supply is 10.

Demand is how many people want to buy something. If 10 people go to that store to buy one of those toy cars, everyone will get one.

Sometimes, though, supply and demand does not come out even. What if when those 10 people came to the store to buy toy cars, the store only had 5 cars to sell? What would happen?

When there isn't enough of something to go around, we say the **supply** is **low**. When lots of people want to buy the same thing, we say the **demand** is **high**. When this happens, stores can charge more for items. Don't believe it? Think about this: Imagine there is a new video game that everyone is talking about. Everyone wants to get it, but the store is running out. You start to worry you won't get one at all. You start feeling almost like you would do anything to get it, right? Even pay more? People are willing to pay more for things they want that are hard to get.

Other times, there is more than enough of something. When this happens, we say **supply** is **high**. For instance, what if the store selling toy cars had 50 cars on the shelf? If there were still 10 people coming to buy a car, there would be lots of cars left over, right? What if people stopped wanting toy cars? If this happened, we would say the **demand** is **low**. That means that people don't really want to buy that item very much. When this happens, stores charge less. Once the video game isn't new and exciting anymore and people stopped buying it as much, the store would probably lower the price or put it on sale. That way, the store is more likely to keep selling at least a few games even though the demand is lower.

Let's review!

When supply is low and demand is high, prices go up.

When supply is high and demand is low, prices go down.

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1) You go to the store to buy apples for a pie. You need 6 apples for the pie, but the store only has 3 left. Circle the statement that is true:

Supply is high

Demand is low

Supply is low

2) A movie theater holds 200 people. There are 300 people in line to buy tickets. Circle the statement that is true:

Demand is high

Supply is high

Demand is low

3) Prices go up when _____.

4) Prices go down when _____.

In the boxes below, draw a comic strip that shows people who want to buy something when the supply is low and the demand is high.

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Bonus question: What would happen if supply was high AND demand was high?

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Answers:

1. Supply is low
2. Demand is high
3. Supply is low and demand is high
4. Demand is low and supply is high

Possible response to bonus question: There would be enough for everyone, prices would stay the same.