

BUYERS, SELLERS, MARKET, PRICE

8



THE PRICE OF A GOOD,
SERVICE, OR RESOURCE IS
DETERMINED BY BUYERS AND
SELLERS IN THAT MARKET.



**Economics
Arkansas**

EDUCATION FOR REAL LIFE

CONCEPT STATEMENTS FOR ELEMENTARY ECONOMICS

1. People consume goods and services to help satisfy their wants.
2. Resources are used to produce goods and services.
3. Because many things are scarce, people need ways to allocate them.
4. Scarcity requires people to make choices that involve trade-offs and have opportunity costs.
5. Specialization and division of labor increase people's productivity and dependency on one another.
6. People are willing to make exchanges when what they receive is worth more to them than what they give up.
7. Money makes trading easier.
8. **The price of a good, service, or resource is determined by buyers and sellers in that market.**
9. People earn income when they sell their resources.
10. People incur expenditures when they buy goods and services.
11. Entrepreneurs and businesses incur costs when they buy resources and earn revenues when they sell the goods and services produced with those resources.
12. Governments provide goods and services and collect taxes.

THE PRICE OF A GOOD, SERVICE, OR RESOURCE IS DETERMINED BY BUYERS AND SELLERS IN THAT MARKET.

BUYERS: people who pay money in exchange for goods, services, or resources

SELLERS: people who receive money in exchange for goods, services, or resources

MARKET: anywhere or any way buyers and sellers make exchanges

Examples:

- ❖ store, shopping mall, online shopping site
- ❖ garage sale, auction, gas station
- ❖ labor center, online job/career site
- ❖ stock exchange, commodity exchange

PRICE: the amount of money paid when buying (or received when selling) a good, service, or resource; a measure of the relative scarcity of a good, service, or resource

Examples:

- ❖ \$150 for a bicycle, \$20 for a haircut
- ❖ \$15 per hour for a worker's services

DEMAND: the quantities of an item buyers would be willing and able to buy at different prices

Example:

- ❖ At a price of \$1.00 per glass, 12 people want to buy a glass of lemonade; at a price of 50¢, 30 people want to buy a glass; at a price of 25¢, 50 people want to buy a glass
[Law of Demand: As the price of an item falls, the quantity bought by buyers rises (and vice versa).]

SUPPLY: the quantities of an item sellers would be willing and able to sell at different prices

Example:

- ❖ At a price of 25¢ per glass, lemonade producers want to sell 5 glasses of lemonade; at a price of 50¢ they want to sell 25 glasses; at a price of \$1.00 they want to sell 60 glasses
[Law of Supply: As the price of an item rises, the quantity offered by sellers rises (and vice versa).]

Concept Statement Examples

- ❖ Kyle (buyer) went to a used car lot (market) and found a car he wanted with a price of \$5000. The car salesman (seller) said it was a "good deal" for the car, but Kyle felt it was only worth \$4500. They talked more and agreed on a price of \$4700. Kyle got the car and the car dealer got a \$4700 check from Kyle.
- ❖ Buyers in a market want the price to be as low as possible, while sellers want the price to be as high as possible. They negotiate to find a price somewhere in between.
- ❖ An increase in demand (or decrease in supply) makes an item relatively more scarce causing its price to rise; a decrease in demand (or increase in supply) makes it relatively less scarce causing its price to fall.

GETTING STARTED

- ❖ Display cover illustration. Have students in pairs or small groups discuss the drawing and allow several students to explain what they see and what they think is happening. Guide the discussion with the following: The drawing is of a market. A market is anywhere or any way buyers and sellers make exchanges.
- ❖ Ask: Who is a buyer in the diagram and who is a seller? (*People on walkway are probably buyers; people behind the tomato and fish stands are likely sellers.*)
- ❖ Ask: How do you know goods are for sale? (*There are numbers with dollar signs.*) Tell students these numbers are the price of the goods for sale. Define price as the amount of money paid when buying (or received when selling) a good, service, or resource.
- ❖ Ask: What is the price of tomatoes? (*\$1.00 per pound*) Would buyers rather pay \$1 or \$20 per pound? (*\$1 per pound*) Would the seller rather sell tomatoes for \$1 or \$20 per pound? (*\$20 per pound*) Explain that buyers like low prices, while sellers like high prices.
- ❖ Have students report and discuss places they or their family buy or sell things and prices they have seen. (*Grocery store and food prices, gasoline station and gas price, movie theater and ticket prices*)

USING TO MARKET WE GO

(Enlarge for whole group instruction. Copy and use for small group and individual activities, home/school connections, and assessments.)

- ❖ Review the definition of markets: anywhere or any way buyers and sellers make exchanges. Have students brainstorm a list of markets that are in their community. Examples might include restaurants, grocery stores, toy stores, department stores, hair salons, or gas stations. As each market is named discuss some of the goods and services that are exchanged. Explain that these are examples of “face-to-face” markets or places where buyers and sellers physically meet to exchange goods and services.
- ❖ Ask students if their parents have ordered something using their phone, computer, or by mail. Explain that while these are also markets (things are exchanged), buyers and sellers do not physically come together (“not-face-to-face” markets).
- ❖ Distribute a copy of the activity page to each student. In each circle students will write the name and/or illustrate a market that is in their community. On each line provided write the name of goods or services that can be exchanged at that particular market. Additional lines can be drawn if needed. For example: The market is a “big-box” retailer. Goods and services exchanged might include detergent, shoes, and eye exams.

USING BUYERS AND SELLERS FIND A PRICE

[Prior to class, write the numbers 4 through 13 on the buyer (“I am a buyer!”) cards and the numbers 1 through 10 on the seller (“I am a seller!”) cards on the activity page. Cut out to make 10 buyer and 10 seller cards.]

- ❖ Make a chart with these headings: “Price,” “Number of Buyers,” “Number of Sellers.” Tell students they are going to play the role of buyers and sellers in the market for Bort, a new game. Remind students that buyers want to exchange money for Bort and sellers want to exchange Bort for money.
- ❖ Divide class into two groups of 10. Distribute buyer cards to one group and seller cards to the other. [*Note: If class size is greater than 20, have extra students record or take turns playing a buyer or seller. Optional: Give each seller an item representing Bort and each buyer the amount of classroom “dollars” shown on their card.*]
- ❖ Have all buyers stand on one side of the room and all sellers on the other. Designate a market area where buyers and sellers will meet to make exchanges. Tell students that once they hear the price of Bort, they will look at their card and decide if they should go to the market. If they go, they are to stay in their groups. Once there, the price and the number of buyers and sellers will be recorded on the chart. If there are more buyers than sellers, call out “Shortage!” If there are more sellers than buyers, call out “Surplus!”
- ❖ Announce that the price of Bort is \$4. Ask all buyers and sellers who can make an exchange at this price to go to the market. Remind students to act according to their card. (*10 buyers and 4 sellers should move to the market at this price.*) Record the number of buyers and sellers and have students call out “Shortage!” or “Surplus!” (*Shortage!; there are more buyers than sellers*) Repeat with the following prices: \$6 (*8 buyers and 6 sellers; Shortage!*), \$8 (*6 buyers and 8 sellers; Surplus!*), and \$10 (*4 buyers and 10 sellers; Surplus!*). [*Note: If desired, prices of \$3, \$5, \$9, and \$11 can also be done, however, wait to do a price of \$7 until noted below.*]
- ❖ Ask: Looking at the chart, as the price of Bort goes higher, what is happening to the number of buyers and sellers in the market? (*Number of buyers is falling, while the number of sellers is rising.*) Explain that the relationship between price and the number of buyers is called the Law of Demand, while the relationship between price and the number of sellers is called the Law of Supply.

(Continued inside)

TEACHER THOUGHTS

1. Students tend to think of a market as a place where many goods are exchanged, such as, a supermarket (large grocery store), a bazaar (open-air market) or an online shopping site. This is fine for teaching about markets as anywhere or any way buyers and sellers make exchanges. However, when talking about individual prices, market usually refers to the buyers and sellers interacting and making exchanges for a single, specific good, service, or resource, such as, the 1% fat milk market, the large-dog grooming market, or the elementary teacher market.
2. Neither demand nor supply are single quantity concepts. Demand (Supply) describes how much of an item buyers (sellers) would buy (sell) at many different prices, not at just one price.
3. The word “cost” is mentioned in Using Price is a Measure of Scarcity. This is not another word for price, but short-hand for the concept “opportunity cost.” When resources are used to produce one good, society gives up the opportunity to use them to produce other goods. So, the “cost of producing a good” refers to the payments that must be made by producers to attract all the resources they need from other potential uses.

HOW MANY SNACKS?

- ❖ Tell students they are going to play the role of buyers to see how buyers react to changes in the price of a good. Explain that each student has \$4 to spend on four snacks: “fruit snack,” “potato chips,” “granola bar,” “candy bar.” Ask: What things might affect how much of each snack you will buy? (*how healthy each snack is for me; how much I like the taste of each snack; how much variety I like; the prices of the snacks*)
- ❖ Tell students that the price of each of these snacks is \$1. Have students write down how much of each snack they would buy using all of their \$4. (*For example, a student might list a fruit snack, a package of potato chips and two candy bars.*)
- ❖ Have students report how much of each snack they wrote down. Determine the total quantity of each snack that the class would buy and then record the results for the snack that had the largest quantity in the table below. Fill in the most popular snack in the title and record the total number of that snack that would be bought next to the price of \$1.
- ❖ Announce that while the price of other snacks is still \$1, the price of the most popular snack is now \$2. Tell students they may reconsider their choices, but remind them they only have \$4 to spend. Have students once again write down how much of each snack they wish to buy. Have students report on the amount of the original most popular snack they would now wish to buy and record the class total for this snack next to the price of \$2.
- ❖ Repeat the step above with prices of \$3 and \$4 for the original most popular snack.
- ❖ Ask: What happened to the number bought when the price rose from \$1 to \$2? ...from \$2 to \$3? ...from \$3 to \$4? (*The number likely fell each time.*)
- ❖ Discuss: What can we conclude about the students’ snack-buying behavior and the price of a snack? (*As the price of any snack goes up, given everything else the same, the amount of that snack that would be bought goes down and conversely, as the price of any snack goes down, the amount of that snack that would be bought goes up.*) Tell students that this relationship is called the “law of demand.”

Number of _____ bought.	
Price	Number Bought
\$1	
\$2	
\$3	
\$4	

SHOW WHAT YOU KNOW!

Market, buyer, seller, price... have students use these words in a presentation that will demonstrate what they learned in this unit. Working individually, in pairs or in small groups have students create a market scenario in which buyers and sellers make an exchange. Encourage creativity by allowing them to select the style for presentations: skit, short story, cartoon, song, poster, video, poem.



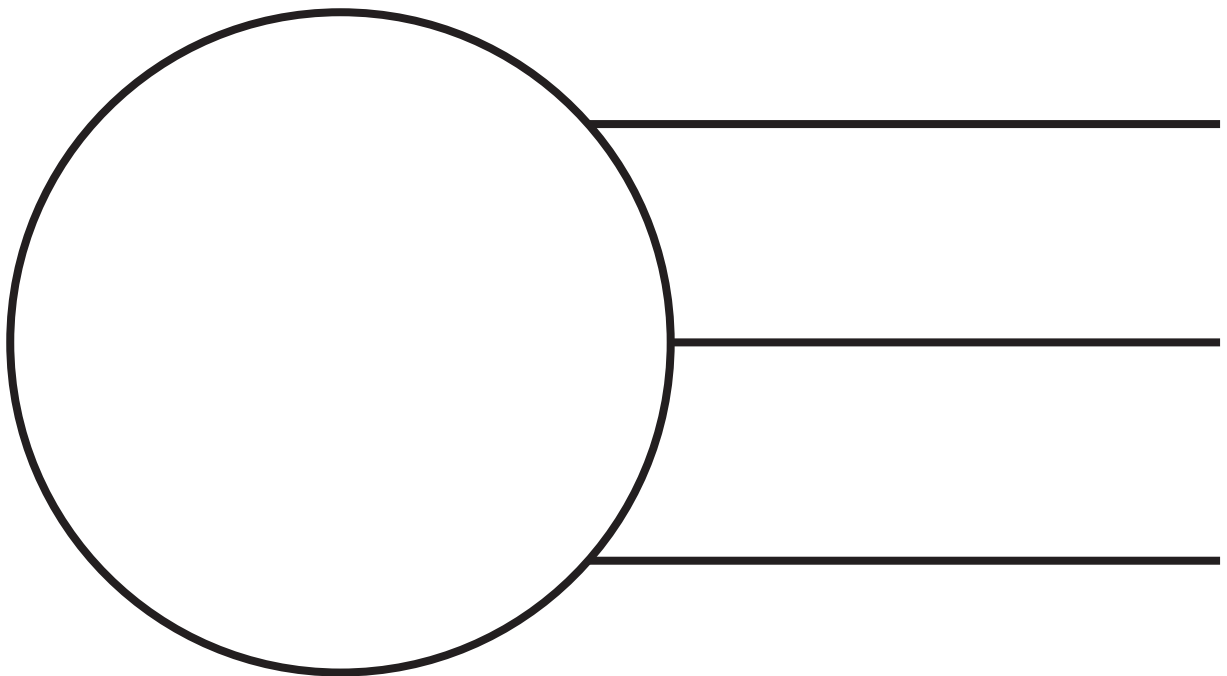
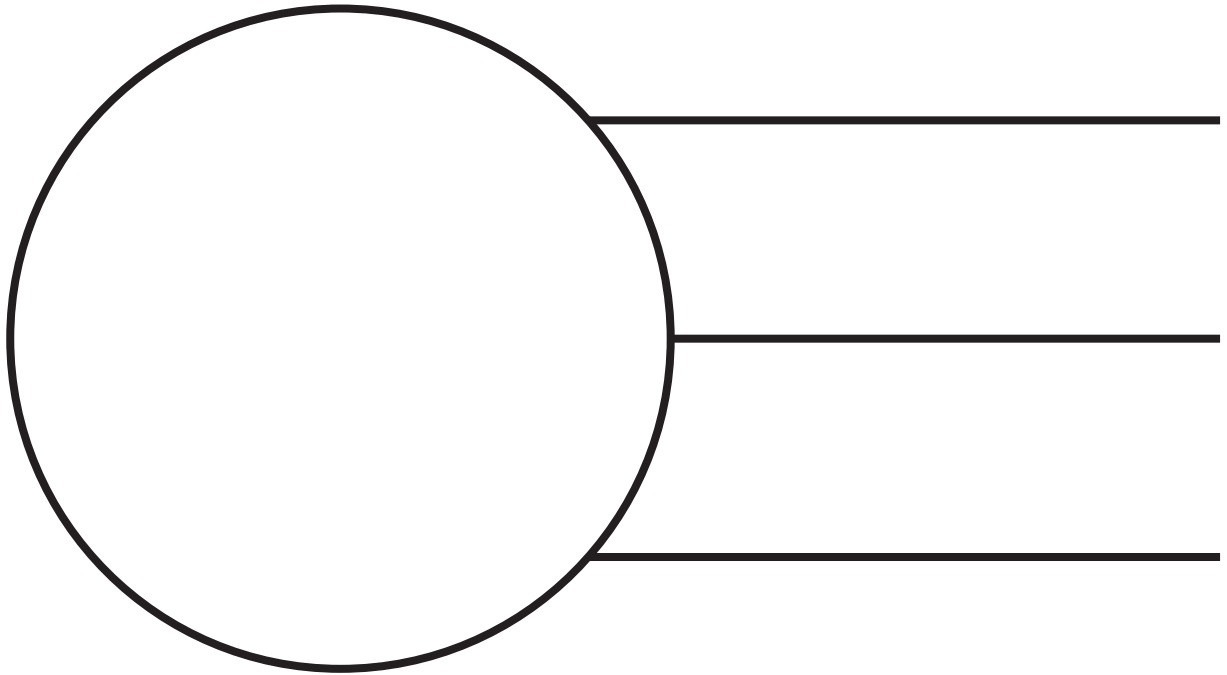
DISCUSSION OR WRITING PROMPTS

- ❖ Compare a face-to-face market with a not-face-to-face market. Discuss advantages and disadvantages.
- ❖ Comment: Buyers and sellers have very different opinions on what the price should be in a market.
- ❖ How does the desirability and availability of a good affect its price?
- ❖ Discuss the impact technology has had on how buyers and sellers interact.
- ❖ Have each student select a specific gas station and record the price of gasoline over a period of time. Was there a change in price? Discuss possible reasons.

LITERATURE & ONLINE CONNECTIONS

- ❖ Scan the QR code to the left or go to www.economicsarkansas.org
Click on *For Teachers - Grab & Go Economics - Online Connections*

TO MARKET WE GO



BUYERS AND SELLERS FIND A PRICE

<p><i>If the price is \$ ____ or less I am a buyer!</i></p>	<p><i>If the price is \$ ____ or less I am a buyer!</i></p>	<p>If the price is \$ ____ or more I am a seller!</p>	<p>If the price is \$ ____ or more I am a seller!</p>
<p><i>If the price is \$ ____ or less I am a buyer!</i></p>	<p><i>If the price is \$ ____ or less I am a buyer!</i></p>	<p>If the price is \$ ____ or more I am a seller!</p>	<p>If the price is \$ ____ or more I am a seller!</p>
<p><i>If the price is \$ ____ or less I am a buyer!</i></p>	<p><i>If the price is \$ ____ or less I am a buyer!</i></p>	<p>If the price is \$ ____ or more I am a seller!</p>	<p>If the price is \$ ____ or more I am a seller!</p>
<p><i>If the price is \$ ____ or less I am a buyer!</i></p>	<p><i>If the price is \$ ____ or less I am a buyer!</i></p>	<p>If the price is \$ ____ or more I am a seller!</p>	<p>If the price is \$ ____ or more I am a seller!</p>
<p><i>If the price is \$ ____ or less I am a buyer!</i></p>	<p><i>If the price is \$ ____ or less I am a buyer!</i></p>	<p>If the price is \$ ____ or more I am a seller!</p>	<p>If the price is \$ ____ or more I am a seller!</p>

PRICE IS A MEASURE OF SCARCITY

Market: _____

Event: _____

Demand
or Supply?

↑ or ↓ ?

More or Less
scarce?

P ↑ or P ↓ ?

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Demand	↑	More scarce	P ↑
Supply	↓	Less scarce	P ↓

- ❖ Ask: Looking at the chart, at what prices were there shortages and at what prices were there surpluses? (*At the lower prices of \$4 and \$6 there were shortages, while at the higher prices of \$8 and \$10 there were surpluses.*) Ask: Is there a price where there would be no shortage or surplus? (*Since things seem to change between a price of \$6 and \$8, perhaps a price between them.*)
- ❖ Announce a price of Bort of \$7. (*7 buyers and 7 sellers should move to the market.*) Ask: Is there a shortage or a surplus? (*Neither*) Explain that since there is a buyer for every seller in the market (and vice versa), everyone in the market is now able to make an exchange--the price of Bort has been found. Have each buyer pair off with one of the sellers. Have them shake hands and say, "Deal!" [Optional: Exchange Bort and "dollars"]
- ❖ Option: To create new scenarios, change numbers on the buyer cards (leaving the seller cards the same) to 2 through 11 (no shortage or surplus at \$6) or to 6 through 15 (no shortage or surplus at \$8).

USING PRICE IS A MEASURE OF SCARCITY

(Enlarge for whole group instruction. Copy and use for small group and individual activities, home/school connections, and assessments.)

- ❖ Ask: What is the price of air? (*Zero, we don't have to pay for air under normal circumstances.*) Is this because it is not valuable? (*No, it is very valuable since it satisfies everyone's want to breathe.*) Explain that price is not a measure of how valuable something is, but how scarce it is. Remind students that scarcity exists when there is less of something than what is desired. The price of air is zero because there is plenty of it to satisfy everyone's wants. It is not scarce. However, most other goods are scarce because people want more than what is freely available. Each good's price measures just how scarce it is: the more scarce, the higher its price.
- ❖ Explain that the price of a good changes in response to changes in its relative scarcity, or its availability (supply) relative to its desirability (demand). If sellers start to supply more (or buyers start to demand less), the good becomes relatively less scarce and its price would fall. Conversely, if sellers start to supply less (or buyers start to demand more), the good becomes relatively more scarce and its price would rise.
- ❖ Display the top part of the activity page. Tell students that they are going to predict what would happen to the price of a good after an event occurs by considering how buyers or sellers are likely to react to the event. Explain that if an event increases buyers willingness or ability to buy a good, demand (representing the good's desirability) will rise (and vice versa). If the event increases the number of sellers or lowers the cost of producing a good, supply (representing the good's availability) will rise (and vice versa).
- ❖ Present the following scenario: Scientists discover that eating potatoes is good for people's brains. How is this event likely to affect the price in the potato market (i.e. the price of potatoes)?
- ❖ Take students through the boxes one at a time to illustrate how to decide what happens.
 - 1st box: Decide if Demand (the good's desirability) or Supply (the good's availability) has been affected.
(*Demand; potatoes would become more desirable to buyers*)
 - 2nd box: Decide if Demand (or Supply) would rise or fall (\uparrow ; *buyers want to buy more potatoes at all prices*)
 - 3rd box: Determine if the good has become relatively more or less scarce. (*More scarce; due to increase in desirability*)
 - 4th box: Price rises if more scarce and falls if less scarce. ($P\uparrow$; *because potatoes are relatively more scarce*)
- ❖ Distribute activity page. Have students working individually or in small groups cut out the cards at the bottom of the page. Provide a market and event scenario (see suggestions below). Instruct students to answer each question in turn from left to right by placing the appropriate card in each box. Discuss responses.

Suggested market and event scenarios (with correct responses)

Ice cream; Many kids get an increase in their allowance (*Demand, \uparrow , More scarce, Price \uparrow*)
Sunscreen; Summer vacation ends and school begins (*Demand, \downarrow , Less scarce, Price \downarrow*)
Pizza; Several new pizzerias open in town (more competition) (*Supply, \uparrow , Less scarce, Price \downarrow*)
Oranges; A freeze destroys many orange trees in Florida (*Supply, \downarrow , More scarce, Price \uparrow*)
Milk; Milk producers advertise the benefits of drinking milk (*Demand, \uparrow , More scarce, Price \uparrow*)
Crayons; The price of markers goes way down (*Demand, \downarrow , Less scarce, Price \downarrow*)
Smartphones; Technology lowers the cost of making phones (*Supply, \uparrow , Less scarce, Price \downarrow*)
Gasoline; The price of oil, used to produce gasoline, rises (*Supply, \downarrow , More scarce, Price \uparrow*)