



THE HIGH COST OF HIGH DEMAND

Learn supply and demand.

Jones has his heart set on the latest version of a video-game system—Y Box III—when it comes out. But it costs a lot! The Secret Millionaires Club learns that businesses supply their products at a price based on demand. The greater the demand, the more someone should expect to pay for the product.

Reinforce that supply and demand determines prices.

Ask kids: Supply is how much there is of something. Demand refers to how much of something that people want. Have you ever wanted something that was in high demand? How did it affect the price? Why should we often expect to pay more for something when demand is high?

Encourage kids to share their knowledge with others.

Warren points out that individuals are also subject to the laws of supply and demand—and people can give an unlimited supply of knowledge and love. Have your child brainstorm a list of other qualities that we can give a large supply of to family and friends so that your child's friendship will be in high demand.

Activities:

1. Hold an auction with family members to illustrate the concept of supply and demand. Distribute pretend money. Then choose different items around the house for auction. Be sure to include some items that will likely have a high demand and other items that are less enticing. Discuss which items went for higher prices and why. Explain that supply and demand help determine the price of certain goods and services.
2. Look for real world examples of supply and demand to share with your child. For instance, does the price of snow shovels or roof rakes go up after a big snowstorm? Did a late frost damage a fruit supply and cause supermarkets to raise the price of that food because there is little of it? Has a new phone come onto the market that everyone wants? What likely happens to the phone's price? Meanwhile, what happens to the price of an earlier model?

Tip: To help teach supply and demand, invite your child to set up a lemonade stand with a variety of baked goods. Afterwards, evaluate which foods were in most demand and sold out the fastest. Discuss how this might affect prices—or foods your child chooses to sell—at a future bake sale.

