Scoop Price Signals

Trace how incentives and changing conditions shape a market.

SS24.E.4c "Explain how prices serve as incentives in a market economy, and how factors other than price cause changes in supply and demand."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline two ways the scoop price changes buyers' or sellers' choices. Circle each factor other than the scoop price that shifts demand or supply, then number the shifts 1, 2, and 3.

Ice Cream at the Boardwalk

1. At a boardwalk ice cream stand, a scoop sells for $4 on a mild Saturday. At that price, some visitors buy a scoop and others keep their money. If the scoop price rises to $5 while other conditions stay the same, some visitors skip dessert: the quantity demanded falls. The higher price also gives the stand a reason to sell more scoops from its existing stock, perhaps by staying open an extra hour: the quantity supplied rises. These responses to the stand's own price are movements along demand and supply, not shifts of either curve.

2. Now imagine a heat wave brings crowds to the boardwalk. At each possible scoop price, more people want ice cream than on a mild day. Demand shifts right because the weather, not the scoop price, changed. If the stand cannot quickly add stock, customers compete for a limited number of scoops, putting upward pressure on the price. A higher price then discourages some purchases and rewards sellers for offering more of the stock they have. The heat wave shifted demand; the resulting price change causes movements along the new demand curve and the supply curve.

3. On another weekend, the wholesale price of cream rises. That input cost makes each scoop more expensive to produce, so the stand is willing to offer fewer scoops at every possible selling price. Supply shifts left, which tends to raise the market price and lower the number of scoops sold, if demand stays the same. Alternatively, a new freezer lets the stand keep more ice cream ready to sell at every price, shifting supply right. Unlike a change in the scoop price, a change in production costs or equipment changes how much sellers offer at each possible price.

2 ANSWER WITH EVIDENCE

Use the passage

1. When the scoop price rises from $4 to $5, how does it change buyers' and the stand's incentives?

2. Why does the heat wave shift demand rather than cause only a movement along the demand curve?

3. How does a higher wholesale price of cream affect supply, and what tends to happen to the market price and number of scoops sold if demand stays the same?

4. How does a new freezer affect supply differently from a rise in the scoop price?

3 YOUR TURN

Your own words

Choose a market other than ice cream and invent a change other than its selling price. In four sentences, explain which curve shifts and why, what tends to happen to market price and quantity if the other curve stays the same, and how the new price affects a buyer's or seller's choice.

ANSWER KEY

Scoop Price Signals

GRADE 12 · SS24.E.4c

PART 1 · READ AND MARK

Underline two ways the scoop price changes buyers' or sellers' choices. Circle each factor other than the scoop price that shifts demand or supply, then number the shifts 1, 2, and 3. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	When the scoop price rises from $4 to $5, how does it change buyers' and the stand's incentives?	**Some buyers skip dessert, so quantity demanded falls. The stand has an incentive to sell more scoops from its existing stock, so quantity supplied rises.**
2	Why does the heat wave shift demand rather than cause only a movement along the demand curve?	**The weather changes how many scoops people want at every possible price; the scoop price itself did not cause that change.**
3	How does a higher wholesale price of cream affect supply, and what tends to happen to the market price and number of scoops sold if demand stays the same?	**Higher cream costs shift supply left. The market price tends to rise, and fewer scoops tend to be sold.**
4	How does a new freezer affect supply differently from a rise in the scoop price?	**A new freezer increases the number of scoops the stand can offer at every price, shifting supply right. A higher scoop price changes quantity supplied along the existing supply curve.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A city opens a protected bike lane, so more commuters want bicycles at every price. Demand shifts right because the new lane makes cycling more appealing. With supply unchanged, the market price and quantity of bicycles sold tend to rise. The higher price encourages some buyers to wait, a response to price rather than another shift in demand.

Accept any plausible market and nonprice factor with a correctly identified shift, consistent price and quantity effects, and a distinct response to the resulting price. For a supply shift, the sample must hold demand unchanged.