The Pretzel Price

Find the price that balances buyers and sellers

SS24.E.4d "Illustrate and explain how supply and demand determine equilibrium price and quantity and how price movements eliminate shortages and surpluses."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline what happens when the price is too low, and circle what happens when it is too high. Number the two price changes that move the market toward equilibrium.

A Saturday Pretzel Market

1 At a Saturday farmers market, a baker chooses how many soft pretzels to bring, while shoppers decide how many to buy. The table gives the quantities sellers would offer and buyers would purchase at three possible prices during one market day. These are plans, not three separate sales totals. A market price can change when those plans fail to match.

PRETZEL PLANS FOR ONE MARKET DAY

Price per pretzel	Quantity demanded	Quantity supplied
$8	80	40
$10	60	60
$12	40	80

2 When the posted price is low, more shoppers want pretzels than bakers offer. Some shoppers leave without one, creating a shortage. Competition among shoppers can push the price upward. At a higher price, shoppers plan to buy fewer pretzels, while bakers plan to offer more. These changes shrink the shortage.

3 At a high price, bakers offer more pretzels than shoppers want, leaving a surplus. Bakers may lower the price to sell more. As the price falls, shoppers plan to buy more and bakers offer less. Where the two planned quantities match, the market reaches equilibrium. Neither shortage nor surplus presses the price to change.

2 ANSWER WITH EVIDENCE

Use the passage

1. At $8, is there a shortage or a surplus? How many pretzels?

2. At $12, is there a shortage or a surplus? How many pretzels?

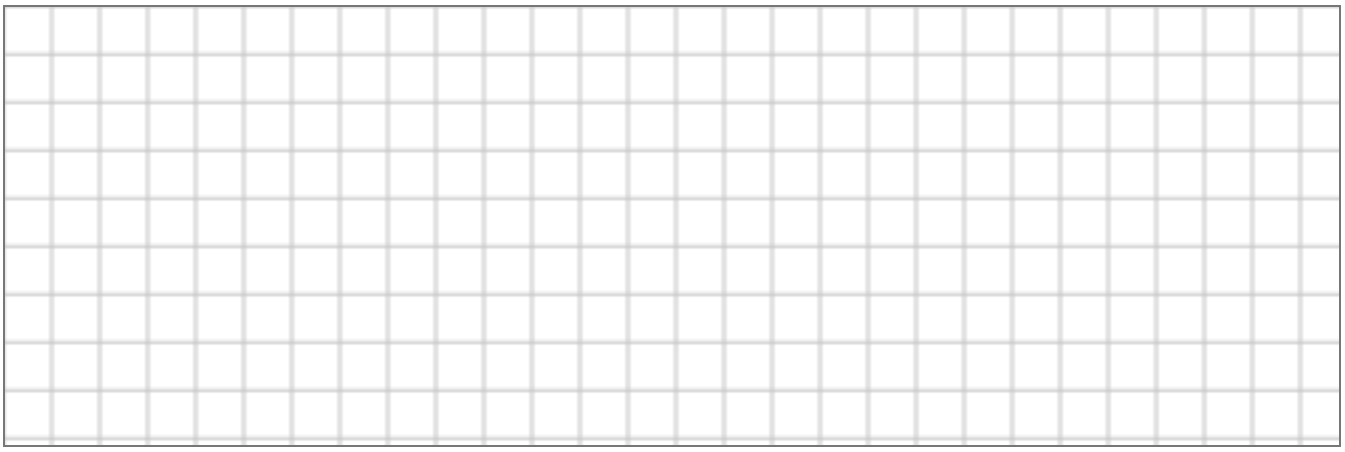
3. What are the equilibrium price and quantity? Use both table columns to explain.

4. Starting at $8 and at $12, which way would the price move toward equilibrium? Explain how each movement reduces the imbalance.

3 YOUR TURN

Your own words

On the grid, invent a market for another product and draw labeled supply and demand curves with a numerical equilibrium, a shortage price, and a surplus price. Label both axes, then write two sentences explaining how price changes remove the two imbalances.



ANSWER KEY

The Pretzel Price

GRADE 12 · SS24.E.4d

PART 1 · READ AND MARK

Underline what happens when the price is too low, and circle what happens when it is too high. Number the two price changes that move the market toward equilibrium. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	At $8, is there a shortage or a surplus? How many pretzels?	**A shortage of 40 pretzels, because quantity demanded is 80 and quantity supplied is 40.**
2	At $12, is there a shortage or a surplus? How many pretzels?	**A surplus of 40 pretzels, because quantity supplied is 80 and quantity demanded is 40.**
3	What are the equilibrium price and quantity? Use both table columns to explain.	**The equilibrium price is $10 per pretzel, and the quantity is 60 pretzels. Quantity demanded and quantity supplied are both 60.**
4	Starting at $8 and at $12, which way would the price move toward equilibrium? Explain how each movement reduces the imbalance.	**From $8, the price rises, reducing quantity demanded and increasing quantity supplied. From $12, the price falls, increasing quantity demanded and reducing quantity supplied.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Market: notebooks. Horizontal axis: notebooks per day; vertical axis: price per notebook. Demand passes through (10, $6), (20, $4), and (30, $2). Supply passes through (10, $2), (20, $4), and (30, $6). The curves cross at 20 notebooks and $4; label $2 as a shortage price and $6 as a surplus price. At $2, the shortage pushes price up, so buyers demand fewer notebooks and sellers offer more. At $6, the surplus pushes price down, so buyers demand more and sellers offer fewer.

Accept other invented markets with correctly labeled axes, an upward-sloping supply curve, a downward-sloping demand curve, and a marked intersection. The explanations must move price up from a shortage and down from a surplus.