The Muffin Market

How prices shape buyers' and sellers' choices

E.2.1 "Define supply and demand, and explain the causes of the Law of Supply and the Law of Demand."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline the definitions of demand and supply, circle what happens to each quantity when price rises, and write 1 beside reasons for buyers' choices and 2 beside reasons for the bakery's choices.

A Morning at the Bakery

1. At a bakery near a train station, demand means the amounts of muffins customers are willing and able to buy at different prices during a morning, if other conditions stay the same. The Law of Demand says that when a muffin's price rises, the quantity demanded usually falls. A customer might choose a less expensive snack instead. Also, the first muffin may satisfy hunger more than a second one, so a buyer may purchase an extra muffin only at a lower price. These choices help explain why a higher price tends to mean fewer muffins bought.

2. Supply means the amounts of muffins the bakery is willing and able to sell at different prices during a morning, if other conditions stay the same. The Law of Supply says that when the muffin price rises, the quantity supplied usually rises. Baking extra muffins may require paying workers for overtime or using oven space that could produce bread. Each extra batch can cost more than the last as easy production options run out. A higher selling price can cover these added costs and make the bakery willing to offer more muffins. A lower price may not cover them.

3. A price change is not the only reason buyers or sellers change their plans. If a nearby school holds a morning tournament, more customers may want muffins at every possible muffin price. That changes demand, not the Law of Demand. If flour becomes more expensive, the bakery may offer fewer muffins at every possible muffin price. That changes supply, not the Law of Supply. To test either law, compare quantities at two prices while holding other conditions steady. Otherwise, a change in customers or production costs could hide the effect of price.

2 ANSWER WITH EVIDENCE

Use the passage

1. What does demand mean in this market? Explain how the value of a second muffin helps account for the Law of Demand.

2. What does supply mean in this market? Explain why the bakery may offer more muffins at a higher price.

3. If the muffin price rises while other conditions stay the same, what happens to quantity demanded and quantity supplied? Give one reason for each change.

4. Why might a school tournament increase demand while higher flour costs decrease supply, without contradicting either law?

3 YOUR TURN

Your own words

Imagine a student-run bike repair stand that charges for tune-ups. In 4 to 5 sentences, define demand and supply for tune-ups, then explain how and why a higher tune-up price would affect each quantity if other conditions stayed the same.

The Muffin Market

PART 1 · READ AND MARK

Underline the definitions of demand and supply, circle what happens to each quantity when price rises, and write 1 beside reasons for buyers' choices and 2 beside reasons for the bakery's choices. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	What does demand mean in this market? Explain how the value of a second muffin helps account for the Law of Demand.	**Demand is the amounts customers are willing and able to buy at different prices during a morning, with other conditions unchanged. Because a second muffin may be less valuable to a buyer than the first, the buyer may purchase it only at a lower price.**
2	What does supply mean in this market? Explain why the bakery may offer more muffins at a higher price.	**Supply is the amounts the bakery is willing and able to sell at different prices during a morning, with other conditions unchanged. A higher price can cover the added cost of overtime or using oven space that could produce bread.**
3	If the muffin price rises while other conditions stay the same, what happens to quantity demanded and quantity supplied? Give one reason for each change.	**Quantity demanded usually falls because some customers choose a less expensive snack. Quantity supplied usually rises because the higher price can cover the cost of baking extra muffins.**
4	Why might a school tournament increase demand while higher flour costs decrease supply, without contradicting either law?	**A tournament can bring more buyers at every muffin price, while higher flour costs can make the bakery offer fewer muffins at every price. The laws describe the effects of changing the muffin price while other conditions stay the same.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Demand is the number of tune-ups customers are willing and able to buy at different prices over a week. Supply is the number of tune-ups the stand is willing and able to offer at different prices over that week. If the tune-up price rises while other conditions stay the same, customers buy fewer tune-ups because some choose to repair their bikes themselves. The stand offers more tune-ups at the higher price because the added revenue makes it worth giving up more time to work on bikes.

Accept other plausible reasons for the predicted changes if students explain a buyer's choice and a seller's cost or opportunity cost. Definitions should refer to amounts at different prices, not a single purchase or sale.