The Tune-Up Price

Find where buyers and sellers agree on price and quantity.

E.2.3 "Provide examples of how supply and demand determine equilibrium price and quantity."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Number each place in the table or passage where the quantity customers want matches the quantity mechanics offer, then circle the change that causes each new balance.

A Saturday at the Bike Shop

1 On Saturdays, a neighborhood bike shop offers quick tune-ups. Customers decide how many they want at each price, while mechanics decide how many they will provide. The table shows these choices for one Saturday. An equilibrium price matches the number customers want with the number mechanics offer. Other prices leave either disappointed customers or unused openings.

SATURDAY TUNE-UP CHOICES BEFORE ANY CHANGES

Price per tune-up	Customers want	Mechanics offer
$20	18	6
$30	12	12
$40	7	16

2 Suppose a cycling race is announced, and more riders want tune-ups. Mechanics and their schedules do not change. At $30, customers now want 20 tune-ups, but mechanics still offer 12. At $40, customers want 16, and mechanics offer 16. The race raises demand, so the market can settle at a higher price and a different number of tune-ups.

3 Now start again with the original demand, without the race. Faster tools let mechanics offer more tune-ups. At $20, customers still want 18, and mechanics now offer 18. At $30, customers still want 12, but mechanics offer 20. This supply increase creates a new balance with a lower price and more tune-ups.

2 ANSWER WITH EVIDENCE

Use the passage

1. Before any changes, what are the equilibrium price and quantity? Explain using the table.

2. Before any changes, what happens at $40? Explain why this price would tend to fall.

3. After the race is announced, what are the new equilibrium price and quantity? How did the rise in demand change them?

4. If the shop gets faster tools instead of a race being announced, what are the new equilibrium price and quantity? How did the rise in supply change them?

3 YOUR TURN

Your own words

Invent a different product and give its original equilibrium price and quantity. Then describe a change in supply or demand, state how many buyers want and sellers offer at the old and new prices, and explain why the new price and quantity are an equilibrium.

The Tune-Up Price

PART 1 · READ AND MARK

Number each place in the table or passage where the quantity customers want matches the quantity mechanics offer, then circle the change that causes each new balance. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Before any changes, what are the equilibrium price and quantity? Explain using the table.	**$30 per tune-up and 12 tune-ups. Customers want 12, and mechanics offer 12.**
2	Before any changes, what happens at $40? Explain why this price would tend to fall.	**Mechanics offer 16 tune-ups, but customers want only 7, leaving 9 unused openings. The surplus puts downward pressure on the price.**
3	After the race is announced, what are the new equilibrium price and quantity? How did the rise in demand change them?	**$40 and 16 tune-ups. Both rise from the original equilibrium of $30 and 12 tune-ups.**
4	If the shop gets faster tools instead of a race being announced, what are the new equilibrium price and quantity? How did the rise in supply change them?	**$20 and 18 tune-ups. The price falls from $30, while the quantity rises from 12.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Bags of apples start at an equilibrium of $4, with buyers wanting 20 bags and sellers offering 20. A poor harvest reduces supply, so at $4, buyers still want 20 bags but sellers offer only 12. At $6, buyers want 16 bags and sellers offer 16. The new equilibrium is $6 and 16 bags because the quantities match.

Accept any plausible product and change in supply or demand. The original and new equilibria must each have equal quantities wanted and offered, and the change at the old price must support the direction of the new price.