Peaches and Prices

How price rules change choices at a market

E.C.3.2 "Explain what causes shortages and surpluses (e.g., government-imposed price floors, price ceilings, and other government regulations) and describe their impact on prices and people's decisions to buy or sell."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline each government rule, circle its effect on the number of baskets offered or wanted, and number one buyer decision and one seller decision. Use your marks to trace how a rule can lead to a shortage or surplus.

A Saturday at the Peach Market

1. At a weekend market, growers sell baskets of peaches. Imagine a typical Saturday when $5 per basket brings enough peaches for everyone willing to pay $5. At lower prices, more shoppers want peaches, but some growers bring fewer baskets because selling them earns less. At higher prices, more growers offer baskets, while some shoppers buy fewer. These choices matter when the city sets a legal price instead of letting buyers and sellers adjust it. The same market can produce a shortage or a surplus, depending on where that rule places the price.

2. Suppose the city limits peach prices to $3 a basket during a hot weekend. This price ceiling is below the usual $5 price. More shoppers want baskets at $3, but fewer growers are willing to supply them at that price. The result is a shortage: some shoppers who want to buy peaches cannot find any. A low posted price does not guarantee access. Shoppers may arrive early or spend time waiting in line, while growers may take their peaches to markets outside the city, where the cap does not apply.

3. Now imagine a different weekend with a city rule requiring at least $7 per basket. This price floor is above the usual $5 price. More growers want to sell, but fewer shoppers want to buy, so baskets remain unsold: a surplus. Growers may bring fewer peaches next weekend, yet the rule prevents them from cutting the posted price below $7. A separate permit rule can also matter. If the city allows fewer growers to sell, fewer baskets reach the market. Without a price cap, competition among shoppers can push prices up, and some shoppers may buy fewer peaches.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why does the $3 price ceiling cause a shortage of peaches?

2. How might the shortage change what shoppers and growers do?

3. Why does the $7 price floor leave baskets unsold, and what might growers do next weekend?

4. If the city issues fewer grower permits but does not cap prices, how could prices and shoppers' buying decisions change?

3 YOUR TURN

Your own words

Invent a market other than peaches and give its usual price. In four or five sentences, set a legal minimum above that price or a legal maximum below it, then explain the likely shortage or surplus and one decision a buyer and a seller might each make.

ANSWER KEY

Peaches and Prices

HIGH SCHOOL · E.C.3.2

PART 1 · READ AND MARK

Underline each government rule, circle its effect on the number of baskets offered or wanted, and number one buyer decision and one seller decision. Use your marks to trace how a rule can lead to a shortage or surplus. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why does the $3 price ceiling cause a shortage of peaches?	**At $3, more shoppers want peaches, while fewer growers are willing to supply them, so the number of baskets wanted exceeds the number offered.**
2	How might the shortage change what shoppers and growers do?	**Shoppers may arrive early or wait in line. Growers may take peaches to markets outside the city.**
3	Why does the $7 price floor leave baskets unsold, and what might growers do next weekend?	**At $7, more growers want to sell but fewer shoppers want to buy, creating a surplus. Growers may bring fewer peaches next weekend.**
4	If the city issues fewer grower permits but does not cap prices, how could prices and shoppers' buying decisions change?	**Fewer growers would bring fewer baskets to market. Competition for those baskets could raise prices, leading some shoppers to buy fewer peaches.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Movie tickets usually cost $12 in my town, but a new rule sets a maximum price of $8. At that price, more people want tickets while the theater is willing to offer fewer showings, so tickets may sell out and some buyers cannot get seats. A buyer might line up early to get a ticket. The theater might schedule fewer showings because each ticket earns less.

Accept other plausible buyer and seller decisions that follow from the stated rule. A price ceiling below the usual price leads to a shortage, while a price floor above it leads to a surplus.