The Price of Ice

How prices guide choices when supply is limited

E.C.8.3 "Explain that prices in a market economy act as signals of relative scarcity and help coordinate decisions of producers and consumers, and analyze how attempts to control prices can affect supply, demand, and market outcomes."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline the market price change that signals scarcity, circle one buyer response and one seller response, then write 1 beside the maximum-price rule and its outcome and 2 beside the minimum-price rule and its outcome.

Ice on a Hot Day

1. On the first hot Saturday in June, a corner store sells bags of ice for $3 each. By afternoon, a heat wave has filled parks with people seeking cold drinks. More customers want ice than the usual delivery can provide. The store raises its price to $5, and some shoppers buy fewer bags or use reusable freezer packs instead. The higher price signals that ice is scarce compared with how much people want at the old price. A nearby ice supplier sees the higher price and schedules an extra delivery for Sunday, though no truck can refill Saturday's empty shelves.

2. Suppose the city sets a maximum price of $3 per bag during the heat wave. That cap is below the price at which shoppers' planned purchases would match the available bags. At $3, more shoppers want bags than stores can supply, so shelves empty early. A line forms, and people who arrive after work may get none. The lower permitted price also gives suppliers less reason to pay for extra deliveries. The rule helps some early shoppers pay less, but it cannot make more ice appear and may worsen the shortage.

3. Now imagine a cooler week, when fewer people want ice. Without a rule, the price would fall to $3 per bag, telling suppliers to send fewer bags and giving shoppers a reason to buy more than at $5. Instead, the city requires a minimum price of $6 per bag. At $6, shoppers plan to buy fewer bags than sellers offer. Unsold ice takes up freezer space that could hold other goods. Suppliers may cut future deliveries, while stores still pay to keep excess ice cold. A price floor can protect a seller's price per bag, but it cannot guarantee sales.

2 ANSWER WITH EVIDENCE

Use the passage

1. What does the rise from $3 to $5 signal, and how does it change one shopper's choice and one supplier's plan?

2. Why do shelves empty early when the city limits the price to $3 during the heat wave?

3. How does the maximum-price rule affect shoppers differently, and what might it do to future deliveries?

4. During the cooler week, why does the $6 minimum price leave ice unsold, and how might suppliers respond?

3 YOUR TURN

Your own words

Choose a product other than ice and invent a change in its demand or supply. In 4 to 6 sentences, explain what happens to its market price, how that price guides a buyer and a seller, and how a maximum or minimum price that restricts the market price would change the outcome.

ANSWER KEY

The Price of Ice

HIGH SCHOOL · E.C.8.3

PART 1 · READ AND MARK

Underline the market price change that signals scarcity, circle one buyer response and one seller response, then write 1 beside the maximum-price rule and its outcome and 2 beside the minimum-price rule and its outcome. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	What does the rise from $3 to $5 signal, and how does it change one shopper's choice and one supplier's plan?	**It signals that ice is scarce relative to demand at $3. Some shoppers buy fewer bags or use freezer packs, and a supplier schedules an extra delivery.**
2	Why do shelves empty early when the city limits the price to $3 during the heat wave?	**At $3, shoppers want more bags than stores can supply.**
3	How does the maximum-price rule affect shoppers differently, and what might it do to future deliveries?	**Some early shoppers pay less, but later shoppers may find no ice. The lower price gives suppliers less reason to make extra deliveries.**
4	During the cooler week, why does the $6 minimum price leave ice unsold, and how might suppliers respond?	**At $6, shoppers plan to buy fewer bags than sellers offer. Suppliers may cut future deliveries.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A storm damages a factory that makes bicycle helmets, so fewer helmets reach stores. The market price rises, signaling that helmets are scarcer relative to demand. Some buyers delay buying a spare helmet, while stores seek helmets from other manufacturers. If a city caps helmet prices below the market price, more people want helmets than stores can provide at that price. Shelves may empty, and shoppers who arrive later may leave without one.

Accept other accurate buyer and seller responses supported by the passage. For the open task, the rule must restrict the market price, and its predicted shortage or surplus must match the rule chosen.