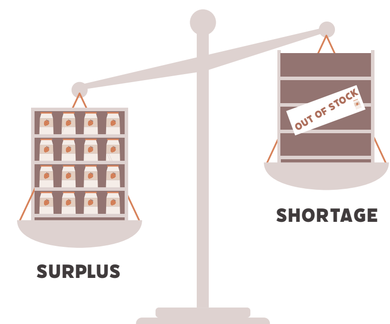
Name ____________________ Date ____________________ Answer Key

SHORTAGE, SURPLUS, AND PRICES

Surpluses and shortages usually happen when sellers charge too much or too little. Sellers usually try to change prices to end a shortage or surplus. **Read the chart to see how.**

There is a **surplus** if there is *too much* for sale at a given price. If there is a **surplus**, sellers often *lower* the price of the good or service so that more customers want to buy it.	A good or service is at the **equilibrium price** if there is a *"just right"* amount for sale at a given price. If a good or service is at the **equilibrium price**, sellers try to *keep the price the same*.	There is a **shortage** if there is *not enough* of a good or service for sale at a given price. If there is a **shortage**, sellers will often *raise* the price of the good or service since they can still sell all of it.

Read each scenario. To get to the equilibrium price, would a supplier probably raise prices, lower them, or leave them the same? Why?



1. Jill has 10 erasers to sell to her classmates. Each eraser costs $0.05. At that price, her classmates want to buy 50 erasers.

Jill will probably raise her price to end the shortage of erasers.

$0.05 is below the equilibrium price, so Jill can probably charge more and still sell all her erasers.

2 A pet store has 12 fish for sale, each for $20. At that price, 12 children want to buy a fish.

The pet store will probably keep its price the same. $12 is the equilibrium price for a fish, so the store doesn't need to change anything.

3. A phone store has 15 new phones for sale. Each phone costs $250. At that price, 6 people want to buy one.

The phone store will probably lower the price to end the surplus of phones. $250 is above the equilibrium price, so the store needs to charge less to sell all of its phones.

4. A clothing store is selling pants for $40 a pair. There are 55 pairs of pants available for sale. At that price, 70 people want to buy a pair.

The clothing store will probably raise the price to end the shortage of pants. $40 is below the equilibrium price, so the store can probably charge more and still sell all the pants.

5. An electronics store has 50 TV sets available for sale. Each TV costs $400. At that price, 30 people want to buy one.

The electronics store will probably lower the price to end the surplus. $400 is above the equilibrium price, so the store needs to charge less to sell all of its TV sets.