Supply, Demand + Price

Where the two lines cross sets the price, force it off that point and something breaks.

Name: _____ Date: _____

OBJECTIVE

Define the laws of supply and demand, identify what shifts each curve, and explain how price floors and ceilings create surpluses and shortages.

1. Define the laws

Law of demand: as price rises, quantity demanded _____.

Law of supply: as price rises, quantity supplied _____.

2. Sort the shifters

Does each event shift the DEMAND curve or the SUPPLY curve for umbrellas?

Event	Demand or supply shifter?
A surprise week of heavy rain in the forecast	
The price of the plastic used to make umbrellas drops	
A popular umbrella brand goes viral online	
A factory that makes umbrellas shuts down	

3. Sketch supply and demand

Draw a standard demand curve (sloping down) and supply curve (sloping up) on the same axes. Mark the equilibrium price and quantity where they cross. Then draw a horizontal price line ABOVE equilibrium and label the gap 'surplus.'

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4. Floors and ceilings

	Set above or below equilibrium?	Result
Price floor (e.g., minimum wage)	Above	
Price ceiling (e.g., rent control)	Below	

DISCUSS

Should your city set a price ceiling on rent to keep apartments affordable? Argue for it, then argue against it: who gains and who loses if the ceiling is set below equilibrium?