

Name: _____



The Law of



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How do they choose what price to sell it for? In a market economy, the goods and services ready for you to purchase are called supply. The number of people willing to pay a certain price for a good or a service is called demand. Supply and demand help set a business's prices.

Hot Wheels monster truck toys are an example of this. When they



this meant higher demand. The company made more toys to meet the demand. This meant a larger supply. Since demand was high, the company could also raise the price. This meant higher profits.

The market likes to reach a balance called equilibrium

(ee-kwuh-LIB-ree-um). The

equilibrium is between the number of products for sale and the highest

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price people will pay for it. The equilibrium is not a set point. When demand drops, companies are left with a supply of unsold products. How do you get people to buy those products? Drop prices until the products sell.

Think about your favorite fast-food restaurant. When its prices rise, you may go there less often. You might only buy one meal. price pulls in buyers. You can see



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is slow. The ad may even say it's a limited-time offer. These ads are meant to create more demand. Buyers like lower prices, so demand goes up. How does the company meet that demand? A larger supply of burgers, buns, and fries. What else can the company do with higher demand? After a while, it can raise prices again!

Price lowers when demand for a product is weak. Then the lower

swim rafts, and water balloons. By early fall, summer gear prices are the lowest they've ever been.

When businesses in a market economy create a product, supply and demand meet. They balance out to provide a product price. That price is neither too high to leave an oversupply nor too low to create more demand than expected. This is the law of supply and demand.

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The Law of Supply and Demand

By Anita Venegas

1. Which best describes the main idea of the article?
 - a. Companies set prices based mostly on product supply.
 - b. Supply and demand work together to create changing prices.
 - c. Demand always rises when product supply is low.
 - d. Prices on products lower around the same time every year.
2. If supply is **high** and demand is **low**, price is likely _____.
high / low

If supply is **low** and demand is **high**, price is likely _____.

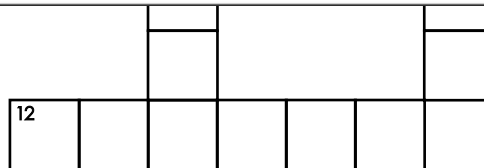
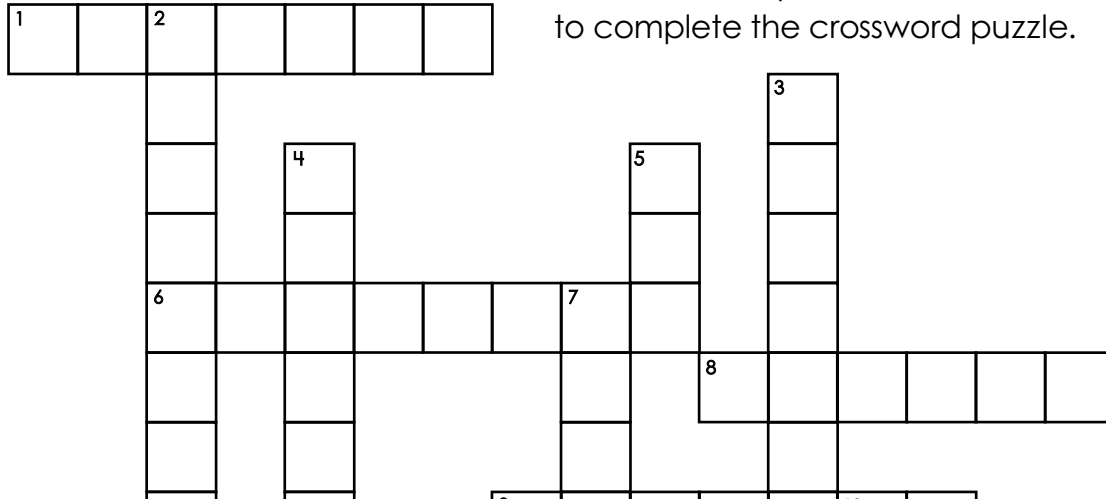


- c. completely unexpected
 - d. for a very short time
4. The article's title and closing sentence refer to the *law of supply and demand*. In this context, what does *law* mean?
 - a. a rule you'll be punished for not following
 - b. the power that someone in charge has
 - c. written instructions that must be followed
 - d. the way something is always known to work
5. Based on information in the article, what happens to the price of holiday products like Halloween candy once the holiday passes? Why?

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The Law of Supply and Demand

Use vocabulary words from the article to complete the crossword puzzle.



Across:

1. money made by a company
6. useful work that can be sold, like cutting hair or fixing cars
8. goods and services ready for sale
9. not lasting forever
11. well-liked
12. number of people willing to pay a certain price for a product

Down:

2. too much of a product left unsold
3. something produced, such as a good or service
4. to buy something
5. short for *advertisements*
7. a state of balance
10. all the buying and selling of goods and services, as well as how they are bought and sold

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The Law of Supply and Demand

In the article, "The Law of Supply and Demand," you learned that the prices of products will change based on supply and demand.

Using information and vocabulary you learned in the article, write a detailed explanation about why the prices of winter jackets and bathing suits often change throughout the year. Then tell how a smart shopper might use that information.



A cartoon superhero with brown hair, wearing a blue suit and a red cape, flying through the air. A shield-shaped logo with the letters 'STW' is on his chest.

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ANSWER KEY

The Law of Supply and Demand

By Anita Venegas

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 - b. Supply and demand work together to create changing prices.**
 - c. Demand always rises when product supply is low.



like Halloween candy once the holiday passes? Why?

The price of holiday items lowers once the holiday passes. The demand
drops after the holiday, so companies must lower prices to make buyers
still want them.

ANSWER KEY

The Law of Supply and Demand

Use vocabulary words from the article



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