

PROJECT: THE EQUILIBRIUM PRICE

Each day, you use goods and services. When you get dressed, eat breakfast, go to the movies with your friends, or get a haircut, you are using goods and services. You, your family, and your friends pay monetary prices for the use of these products. In this project, you will collect list prices, **survey** ten people, and gather data for the **quantity demanded** of a commonly used good or service.

VOCABULARY

equilibrium price	price where quantity supplied equals quantity demanded
quantity demanded	amount that consumers are willing and able to buy
quantity supplied	amount that producers will make and sell in the market
survey	gather data

Project

You have learned about the interaction of supply and demand in the marketplace. In the first part of this project, you will create your own market by choosing a product and gathering information that describes the demand for this product. You will then use information on the supply of this product (with the **quantity supplied** given by your teacher) to determine your product's **equilibrium price**.

Part One:

1) Choose a commonly used good or service from the list provided below:

- Cell Phone
- Bread
- Milk
- T-shirt
- Jeans
- Shoes
- Going out to eat
- Getting a haircut
- Another good or service approved by your teacher

2) You will research list prices for your chosen good or service. A computer is the easiest way to complete this step. Gather **four different** list prices for your good. For example, you could choose four different price levels for a pair of jeans that range from \$15 (the cost of a pair of discount store jeans) to \$200 (cost of a pair of designer jeans). To find four reasonable list prices for your good, try putting "average price of (your

good)" into a search engine, such as Google. For example, if you choose shoes, then you can search for "average price of shoes."

After you have gathered four different list prices for your good or service, put them into the "Price" column of your "Finding Equilibrium Price" table.

3) Fill in the left column of the table for your product for step 2:

Finding Equilibrium Price

Price of (Insert the name of your good or service)	Quantity Demanded	Quantity Supplied

4) Survey **ten** people to find out the quantity (amount) of the good or service they would demand at the different list prices. For example, suppose you chose jeans for your project. You could ask a friend, "How many pairs of jeans would you buy at a price of \$15?" Then you could ask your friend how many pairs of jeans he or she would buy at the other three list prices. Remember that you are surveying ten people. That means that you must ask ten people how many pairs of jeans they would buy at each of the four price levels.

Record their answers in the "Quantity Demanded" column of the "Finding Equilibrium Price" table. For example, suppose your mom demands ten pairs of jeans at \$15 per pair. You would write a "10" in the quantity demanded column for the row that has a price of \$15. Remember to ask the people in your survey how many pairs of jeans they would demand at each price level and to keep track of their responses in the "Quantity Demanded" column.

5) After you have completed steps one through four, take **Part One** of this project to your teacher to fill in the "quantity supplied" column of the table.

Part Two:

1) Look at the quantity supplied of your good or service, at each price level. Compare this quantity with the quantity demanded, at each price level. Find the equilibrium price and write it down. **Note:** Your equilibrium price is based on your data. Even if two people choose the same good or service, the equilibrium prices may be different.

2) In one or two sentences, define an equilibrium price and explain how you found the equilibrium price for your good or service.

3) Look at the price level(s) that are **less than** the equilibrium price. At these prices, which is greater: the quantity supplied or the quantity demanded? Is there excess supply or excess demand? Write down your answers to both questions.

4) Next, look at the price level(s) that are **greater than** the equilibrium price. At these prices, which is greater: the quantity supplied or the quantity demanded? Is there excess supply or excess demand? Write down your answers to both questions.