Figure 4—1 Overall Market Demand and Supply and an Individual School’s Supply Response

Market demand and supply of schooling

Price per pupil (compensation or tuition)

Market demand

Market supply

Equilibrium compensation level

Equilibrium level of total enrollment

Overall enrollment

Demand facing school $i$

Price per pupil (compensation or tuition)

Marginal Cost Curve = Supply curve above AVC

Average Variable Cost

School-specific demand = marginal revenue = equilibrium compensation level

Level of enrollment at school $i$