The Price Puzzle

What drives the market?

Markets bring buyers and sellers together. Prices of mangoes, vegetables, flight tickets and hotel rooms can change often.

DEMAND + SUPPLY

Seasons, festivals, trends and expectations also shape prices — and sometimes government steps in.

The big questions

01

What changes demand and supply?

02

How is a price decided?

03

What is market equilibrium?

04

Does equilibrium last?

05

Why does government intervene?

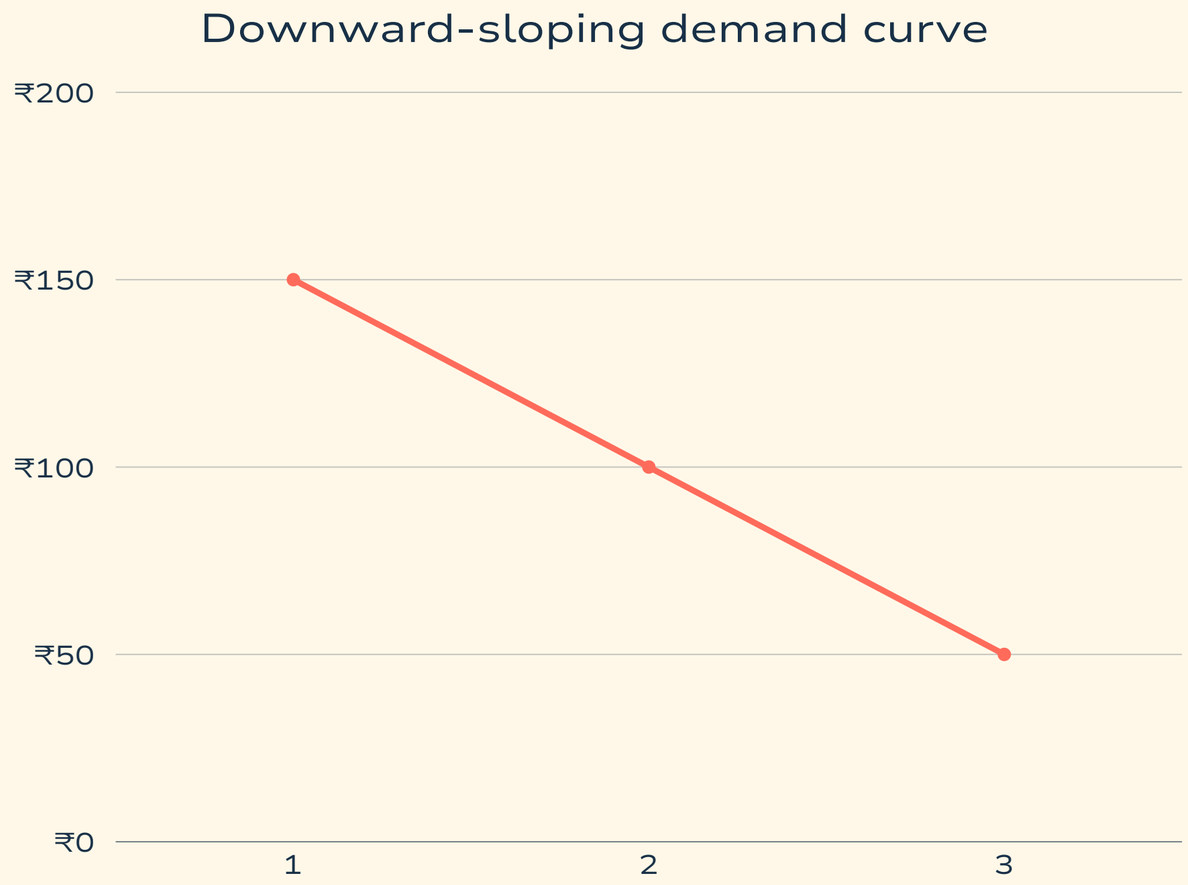
Demand means ‘want + can buy’

- Quantity consumers are willing and able to buy at a price.
- Needs, preferences, seasons, trends and income matter.
- Desire alone is not demand — purchasing power is needed.
- Price falls → people usually buy more. Price rises → less.

Law of Demand

Price per kg	Quantity demanded
₹150	1 kg
₹100	2 kg
₹50	3 kg

Price ↑ → quantity demanded ↓



One buyer → the whole market

Price	Srivalli	Alex	Israt	Market demand
₹150	1 kg	2 kg	3 kg	6 kg
₹100	2 kg	4 kg	6 kg	12 kg
₹50	3 kg	6 kg	9 kg	18 kg

Individual demand

One consumer’s quantity at each price

Market demand

The sum of every consumer’s demand

Demand can shift

Related goods

Substitutes or complements

Income

Ability and quality choice

Preferences

Likes, trends and habits

Population

Size and age mix

Seasonality

Weather and festivals

Expectations

What prices may do next

Replace it — or use it together

SUBSTITUTES

Tea ↔ coffee • mangoes ↔ bananas
If coffee becomes costly, demand for tea may rise.

COMPLEMENTS

Phone + earphones • car + petrol
When demand for one falls, its partner may fall too.

Who buys — and what they like

- Higher income can increase demand and change quality choices.
- Likes and dislikes guide buying decisions.
- Population size changes total market demand.
- Population mix matters: more children can mean more sports-shoe demand.

The first one feels special

- Each extra unit often gives less additional satisfaction.
- So buyers are willing to pay less for extra units.

- Demand also follows seasons: sweaters in winter, sweets at festivals, books when school begins.

Buy now — or wait?

- Expecting a price rise? Buy now.
- Expecting a price fall? Postpone the purchase.
- Festival sales change the timing of buying.
- Demand can shift even when today’s price stays unchanged.

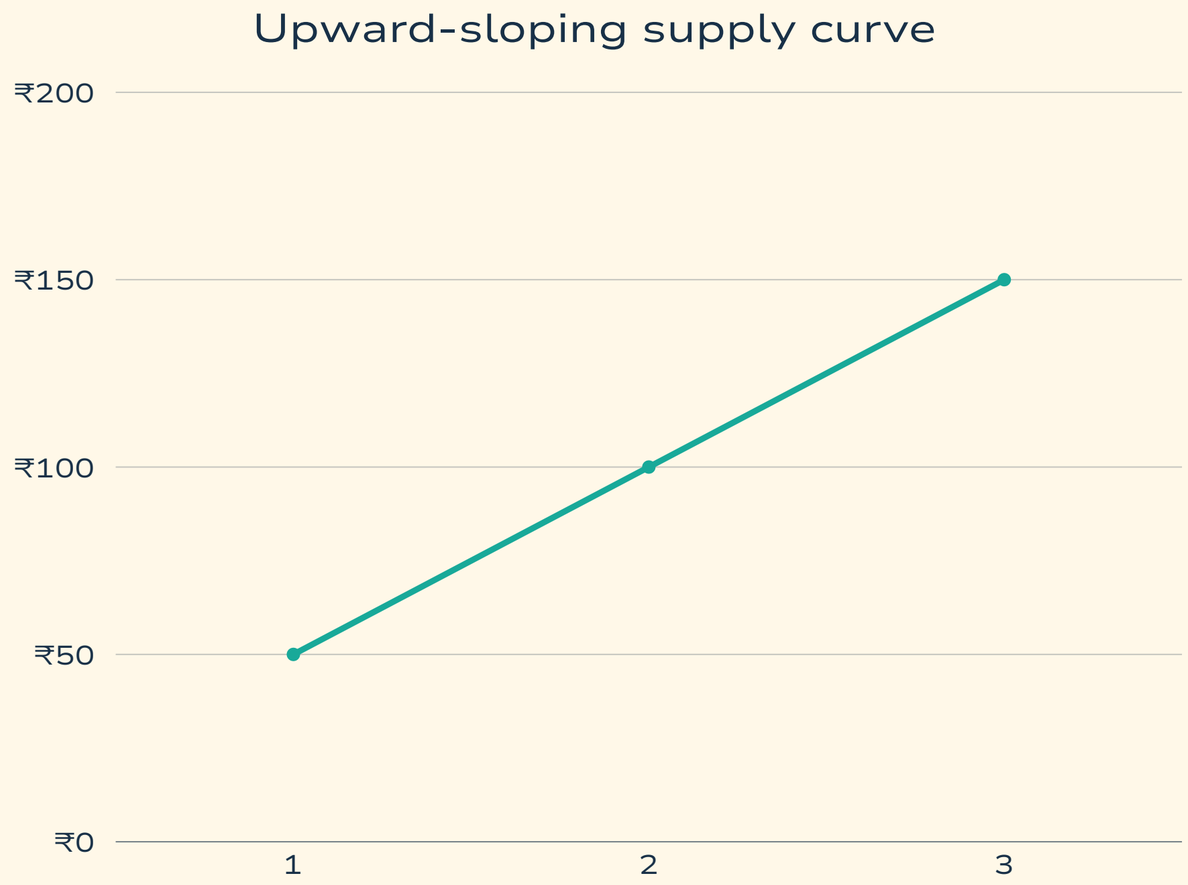
Supply is the seller’s side

- Quantity sellers are willing and able to offer at a price.
- Higher prices usually encourage more supply.
- Lower prices usually encourage less supply.
- Individual supply comes from one seller; market supply totals all sellers.

Law of Supply

Price per kg	Quantity supplied
₹50	1 kg
₹100	2 kg
₹150	3 kg

Price ↑ → quantity supplied ↑



Sellers add up to market supply

Price	Seller A	Seller B	Seller C	Market supply
₹50	1 kg	3 kg	2 kg	6 kg
₹100	2 kg	4 kg	6 kg	12 kg
₹150	3 kg	7 kg	8 kg	18 kg

One seller

Individual supply

All sellers combined

Market supply

What shifts supply?

Profit choices

Related goods

More sellers

More market supply

Technology

Lower cost, more output

Expectations

Save or sell now

Input costs

Seeds, fuel, materials

Weather

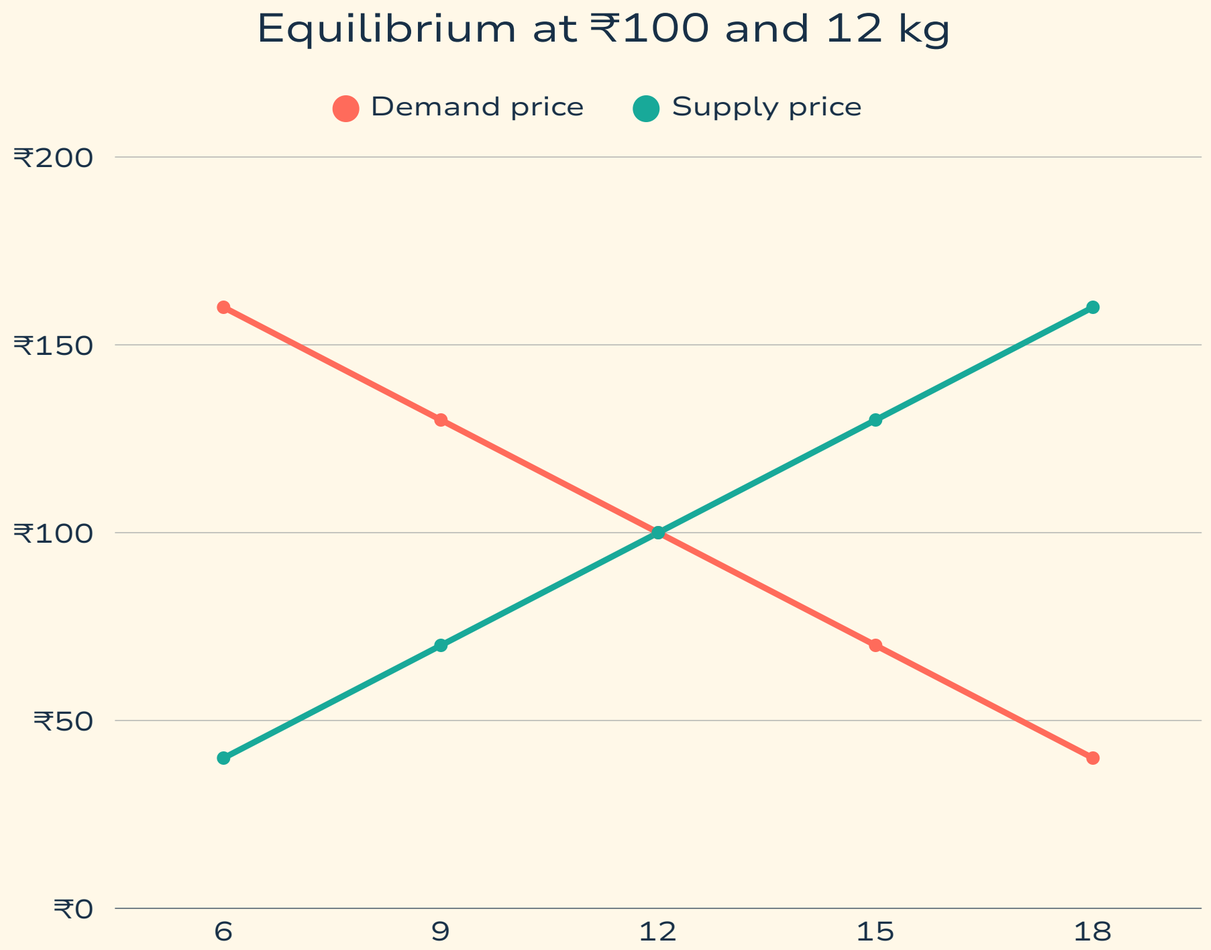
Harvests and disasters

Smarter farms can supply more

- Farmers may choose crops with better prices — chickpeas instead of wheat.
- Drip irrigation and weather sensors can reduce cost and risk.
- Cold storage prevents waste and reaches distant markets.
- More production + better storage = greater supply.

Where demand meets supply

- Buyers choose how much to buy; sellers choose how much to sell.
- Equilibrium: quantity demanded = quantity supplied.
- No shortage. No surplus. The market clears.



Shortage pulls up. Surplus pushes down.

EXCESS DEMAND / SHORTAGE

Demand > supply. A price below equilibrium creates upward pressure.

EXCESS SUPPLY / SURPLUS

Supply > demand. A price above equilibrium creates downward pressure.

The mango market finds its balance

Price	Demanded	Supplied	Situation
₹40	38 kg	6 kg	Excess demand
₹100	12 kg	12 kg	EQUILIBRIUM
₹150	8 kg	43 kg	Excess supply

₹100

equilibrium price

12 kg

equilibrium quantity

Real markets keep moving

- Equilibrium is not fixed.

- Technology, wages, income, interest and weather shift markets.
- Wars, politics, pandemics and disasters cause sudden shocks.
- Face masks showed demand, supply and prices adjusting again and again.

One room. Many possible prices.

- Off-season and quiet weekdays: lower prices.
- Weekends, holidays and festivals: higher prices.
- New Year’s Eve can bring peak demand.
- Bookings, competitors, weather and trends help hotels adjust price and occupancy.

Markets need rules — and a safety net

- Markets distribute goods by willingness and ability to pay.
- But essential goods may remain unaffordable for poorer families.
- Government protects consumers, workers and producers.
- It also ensures essential services and public goods reach everyone.

Rules for a fairer marketplace

PRICE CEILING

A maximum price sellers may charge.

PRICE FLOOR

A minimum price; protects income when set effectively.

MINIMUM WAGE

A floor that protects workers' pay.

Regulation can limit monopoly harm, improve transparency and protect consumers.

RBI • banking CCPA • consumers TRAI • telecom SEBI • securities

Shared goods, shared benefit

- Government provides or funds goods for public benefit.
- Roads, bridges, parks, streetlights, defence and sanitation serve many people.
- Private firms may supply too little when profit is low.
- Public funding supports access and social welfare.

Good rules need balance

- Price distortions can reduce producers’ incentives.
- Falling production may create shortages.
- Compliance costs can burden small businesses.
- Heavy controls may reduce innovation.
- The goal: balance welfare with production incentives.

The Price Puzzle — in one flow

Remember the puzzle pieces

01 Demand

What consumers want and can buy.

02 Supply

What producers want and can sell.

03 Price rules

Price ↑ → demand ↓; supply ↑.

04 Equilibrium

Demand equals supply.

05 Dynamic markets

Markets adjust as conditions change.

06 Government

Fairness matters; over-control can hurt output.

THANK YOU