Workshop: Understanding Supply and Demand

Table, Demand, Supply, Equilibrium, Shifts, Real Events

Bonus material for uniquestoremarket.com's "Understanding Supply and Demand: An Introduction to Microeconomics" guide. A facilitator script that walks a learner or small group through the guide's six chapters live in one session, using the guide's own coffee and cake examples. This is economics education, not financial advice.

Session objective

By the end of this session, each participant leaves with: (1) a price–quantity table for a good they buy, (2) the two reasons demand slopes down and the marginal-cost reason supply slopes up, (3) equilibrium, surplus and shortage read off the coffee table, (4) the ability to sort events into shifts and movements, and (5) one real headline analysed with the four-step routine and a labelled graph.

Format and length

75–90 minutes. Works 1-on-1 or in a group of up to 6–8, working in pairs for the sorting game and the final explanation. Needs: paper and pens, two index cards per person (or two labelled lines on paper), and the coffee table from Ch. 1 written on a board or handout. Ask participants beforehand to bring one news headline about a price changing (energy, housing, food, tickets, anything).

Agenda

1. Opening — three purchases (10 min)

Say: most students can draw supply and demand but cannot use it, because the curves get memorised as shapes instead of understood as two columns of numbers. Run the Ch. 1 micro-start: each person writes the last three things they bought, the price paid, and one thing that would have stopped them buying. Point out that they have just described three markets from the demand side.

2. Ch. 1 — the coffee market as a table (10 min)

Teach: a market is the set of all buyers and sellers of one good, not a place. Put the guide's table on the board: at €6 buyers want 1,000 cups and sellers 9,000; at €5, 3,000 and 7,000; at €4, 5,000 and 5,000; at €3, 7,000 and 3,000; at €2, 9,000 and 1,000. Ask what they notice: two columns moving in opposite directions as price falls. Note that price goes on the vertical axis by convention, not logic. Participants start their own four-level table for a good they buy.

3. Ch. 2 — why demand slopes down (10 min)

Ask each person to say, in their own words, why they would buy more at the lowest price in their table. Then teach the two effects separately: substitution (some buyers switch to alternatives when relative price rises) and income (money buys less overall, so you are effectively poorer). Use coffee at €6 versus €2, and table salt, where both effects are tiny because it is cheap with no real substitute. Pairs name three goods with close substitutes and three with almost none.

4. Ch. 3 — the cake seller's ladder (12 min)

Teach marginal cost: the cost of producing one additional unit. Walk the ladder: cakes 1–10 cost €4, cakes 11–20 have a marginal cost of €10 (evenings), cakes 21–30 cost €25 all-in (renting commercial oven time). Ask which cakes get made at €5, at €15 and at €25-plus. Say the rule: a seller makes a unit when the price covers its marginal cost, and the supply curve is that ladder read as a line. Mention new sellers entering at higher prices as a second, separate reason. Participants write their own three-step ladder.

5. Ch. 4 — equilibrium: €5, €3, €4 (13 min)

Ask participants to find the price in the coffee table where the two columns are equal before anything is drawn. Then walk the mechanism: at €5, demand 3,000 and supply 7,000, a surplus of 4,000 cups, so sellers discount and price falls; at €3, a shortage of 4,000, queues form and price rises; at €4, both are 5,000 and nothing pushes price either way. Participants calculate the surplus or shortage at €6 and at €2, then label equilibrium, one surplus and one shortage on a sketch. Stress that equilibrium is a resting point, not a fair price.

6. Ch. 5 — the sorting game (15 min)

Each person labels two cards: “Movement along the curve” and “Shift of the curve”. Teach the test: did the good's own price change, or did something around it change? Then run the guide's two-event coffee example (incomes rise, so demand shifts right and price and quantity both rise; roasters then produce more, which is a movement along the existing supply curve, not a new shift). Pairs classify (a) a new coffee shop opens nearby, (b) a frost destroys part of the harvest, (c) a weekend discount, (d) tea becomes more expensive, and explain each choice.

7. Ch. 6 — the four-step routine and close (15–20 min)

Teach the routine: (1) name the market precisely, (2) decide which curve the event touches and which way, (3) read off the new equilibrium, (4) sanity-check against the four rules. Model the guide's example, avian flu culling a fifth of laying hens: supply shifts left, so price rises and quantity falls. Add the study saying eggs are healthier: demand also shifts right, price rises, but quantity is indeterminate. Pairs run the routine on their own headline, draw the graph, and explain it in under two minutes. Close by asking each person what they will redraw this week.

Facilitator notes

- The commonest failure is merging the two demand effects into “people buy less”. Do not move on from step 3 until each person can state substitution and income separately.
- Watch for equilibrium described as the fair or best price. The guide says it is only a resting point; ask what would move the price if it were not at equilibrium.
- Watch for a price reaction after a shift being called a second shift. If the supply curve has not moved, it is a movement along it; make people name which curve changed.
- Real events go wrong in two ways: a market that is too broad (“the food market” instead of “eggs in Belgium this month”) and a two-curve case where someone guesses. The correct answer names the indeterminate variable.
- Keep the examples to economics education. Do not turn a headline analysis into advice about buying, selling or investing.

Full guide: uniquestoremarket.com/understand-supply-and-demand