

Supply and Demand

“Teach a parrot the terms “supply and demand” and you’ve got an economist” - Thomas Carlyle

Warm up:

- In your own words, what does the term “supply and demand” mean?
- How does supply and demand impact your job?
- Has there ever been a serious shortage of something in your country or industry?
What caused it, and what were the results?
- Is there any product or commodity that you think will be in particularly high demand in the future?



1. Read the text and choose the correct word from the options below for each gap.

Supply and demand is the relationship between how much there is of a **commodity** (a) or product, and how many people want to buy it. The price of a product is almost always **determined** (b) by how many people want to purchase it, and how available the product is. For example, if there is a **shortage** (c) of oil in the market, the price of oil will almost always increase. The decreased **supply**(d) means sellers have more **negotiating** (e) power, resulting in a higher price. Conversely, if there is a **surplus** (f) of oil in the market, the price is sure to fall. This has been said to be the first **law** (g) of economics, and effects everything from the price of your sneakers to how much you get paid.

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|--------------------|---------------|-----------------|-------------------|
| (a) 1. correlation | 2. commodity | 3. co-operation | 4. coincidence |
| (b) 1. determined | 2. clarified | 3. designed | 4. mitigated |
| (c) 1. spike | 2. glut | 3. drainage | 4. shortage |
| (d) 1. supply | 2. demand | 3. interest | 4. market capital |
| (e) 1. solar | 2. purchasing | 3. negotiating | 4. contractual |
| (f) 1. surplus | 2. tariff | 3. monopoly | 4. take-over |
| (g) 1. argument | 2. suggestion | 3. chapter | 4. law |

When making predictions about the future, the words “likely” and “unlikely” are often used.

E.g. “The price of housing is *unlikely* to fall” or “The market is *likely* to crash.”

The structure is: Subject (The market) + verb be (is) + likely/unlikely + to infinitive verb (crash)

2. Change the sentences to sentences that use likely/unlikely without changing the meaning.

a) The market will probably bounce back by next week.

e.g. *The market is likely to bounce back by next week.*

b) I don't think that company will survive.

That company is unlikely to survive

c) The chances that we will make a profit this year are low.

We are unlikely to make a profit this year

d) My boss will probably notice if I'm late to work.

My boss is likely to notice if I'm late to work

e) This trend should continue until next year.

This trend is likely to continue until next year.

f) I don't think they're going to accept our offer

They're unlikely to accept our offer.

g) I'm confident that your investment will make good returns.

Your investment is likely to make good returns.

h) The supply of iron and steel is forecast to drop in the next few years.

The supply of iron and steel is likely to drop in the next few years.

3. Choose a product or service from the list below (or think of a different product) and predict what will happen to supply and demand for this product in the coming years, giving reasons for your opinions. Try to use the structure from exercise 2.

Meat substitutes

Face masks

iPhone 11

Cruise ship vacations

Land in small towns (in your country)

Electric cars

Big screen TVs



4. Read about four real-world situations and try to predict what you think might have happened in the market as a result.

a) In the year 301 a Roman emperor named Diocletian had a great idea on how to fight inflation. He simply set a maximum limit to what you could charge for many products, especially food, and he also set a *maximum* (not minimum) wage for what workers could be paid. The penalty for breaking these rules was death.

b) In the 17th century the Netherlands went through an enormous craze for tulips. Flowers were a status symbol at this time, and tulips were seen as the ultimate status symbol. The demand for tulips skyrocketed, and a single tulip could sell for as much as 10 times the average annual salary. Most people buying them weren't actually interested in the flowers, they just saw the prices going up and wanted to buy them to resell them for a profit at a later date.



Tulips

c) In the 1980's the world began to use more and more energy sources that weren't oil (e.g. coal, nuclear, and natural gas). People in general were also using less oil due to a general economic slump. However, oil production continued at the same levels as before.

d) During corona, consumer demand for most goods has actually increased. Many consumers are unable to spend money on things like vacations and eating out, and have begun shopping online to make lockdown more bearable. However, many freight companies and ports have had their capabilities damaged by unpredictable restrictions.



5. Now read through the results below and match them to the situations in exercise 4. Were your predictions correct?

a)1. These factors together caused a massive glut in the world market, and prices fell by more than 50%. This was great for countries such as America and Japan, but caused massive losses for OPEC (Organisation of Petroleum Exporting Countries) countries such as Saudi Arabia and Venezuela. The crash even contributed to the fall of the Soviet Union.

d)2. This has caused a massive bottleneck in the market. The demand for goods is high, but the supply is quite low, causing the prices of some products, particularly some electrical devices, to rise sharply.

a)3. Sellers simply went elsewhere. They were unwilling to sell their goods at the prices that had been set for them, and even more unwilling to risk execution. Supply plummeted, and an expensive black market appeared for common household goods. Eventually the new laws were collectively ignored and became something of a laughing stock.

b)4. This is the classic example of a "bubble" in the market. Prices continued to soar, which encouraged more and more people to spend huge amounts of money, which mimicked real demand, which made prices increase even further. Unfortunately, all bubbles have to pop, and this one certainly did. Once some people began to sell, everyone began to sell, and the prices hit rock bottom within a month.

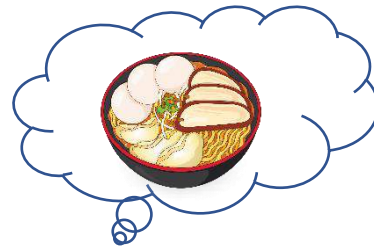


6. You are going to watch a video about instant noodles (ramen) in American prisons. The video contains the vocabulary in the box. Use the vocabulary to complete the sentences.

durable	up to par	cut costs	behind bars	literally
barter	starve	inmates	consequences	overwhelming majority

- The prison has over 30,000 *inmates*.
- He spent 20 years *behind bars*, but now he's been released.
- The *overwhelming majority* of companies are against higher taxes.
- To be blunt your work on this is not *up to par*. We expected better from you.
- You have to accept the *consequences* of your actions.
- This paint may be expensive, but it's also very *durable*.
- The company wants to *cut costs*, so no more business trips.
- If the food runs out we are going to *starve*.
- Before the invention of money everyone used the *barter* system.
- I was so scared, I was *literally* shaking.

In some prisons a pack of instant noodles (ramen) is worth up to 10 times what it is worth outside of prison, and is by far the most popular item sold in most prison commissaries (an official store or shop for prisoners). Why do you think this might be? Why would the demand for this item be so high in prison? Brainstorm some reasons with a partner.



 7. Watch the video “Why Ramen is so Valuable in Prison”¹ and answer the questions.

- a) What is Gustavo Alvarez’s book about? *It’s a ramen cookbook*
- b) Why are cigarettes not used as currency in most prisons? *They are banned in most prisons*
- c) How many packs of ramen does a sweatshirt cost at the Sunbelt State Penitentiary? *2*
- d) What does Alvarez think would happen if someone only ate prison meals (and did not purchase any extra food from the commissary)? *They would starve*
- e) Why are the meals in American prisons so bad? *Because of cost-cutting*
- f) Why is ramen likely to stay at the top of the prison economy? *Food is a basic need, and Ramen is a basic solution*

¹ https://www.youtube.com/watch?v=PLt9fRYT92M&ab_channel=Vox