



Class 9 Social Science Notes

Chapter 9 – The Price Puzzle: What Drives the Market

Book: *Understanding Society: India and Beyond*
Grade 9 – Part 1

These notes are based directly on the official Chapter 9 textbook content, including the demand and supply schedules, graphs, market equilibrium, price controls, public goods, government intervention and market limitations.



1. Introduction – What Drives Market Prices?

Have you ever wondered:



Why do mangoes become cheaper during the peak season?



Why can vegetables be expensive in the morning but cheaper in the evening?



Why can the same flight seat cost ₹3,000 on one day and ₹9,000 on another?



Why do shops offer discounts during festivals?

Prices do not change randomly. They respond to:

-  What people want
-  How much of a product is available
-  Seasons
-  Festivals
-  Trends
-  Expectations
- Sometimes even rumours

Two powerful forces constantly influence prices:

- **Demand**
- **Supply**

The chapter studies how these forces interact to determine prices and how governments sometimes intervene in markets.

2. Demand

Meaning of Demand

Demand is the quantity of a product that people are **willing and able to buy at a particular price**, depending on factors such as:

-  Needs
-  Preferences
-  Season
-  Trends
-  Income

Demand is not simply the desire to buy something.

A person must have both:

 **Willingness to buy** +  **Ability/Purchasing power to buy**

to create demand.

Purchasing Power

Purchasing power refers to how much one unit of currency can buy at a particular time.

3. Law of Demand

The **Law of Demand** describes an inverse relationship between price and quantity demanded.

When price rises:

 Price ↑



 Quantity demanded ↓

When price falls:

💰 Price ↓



🛒 Quantity demanded ↑

Therefore:



Price and quantity demanded generally move in opposite directions.



4. Example of Individual Demand

Suppose Srivalli wants to buy mangoes.

Price of Mangoes	Quantity Demanded
₹150/kg	1 kg
₹100/kg	2 kg
₹50/kg	3 kg

As the price falls, Srivalli buys more mangoes.

This is called **individual demand** because it represents the quantity one consumer wants to buy at different prices.

A table showing these quantities is called a **demand schedule**.

When the demand schedule is represented graphically, it becomes a **demand curve**.



5. Demand Curve

The demand curve generally slopes **downward from left to right**.



Y-axis → Price



X-axis → Quantity demanded

For Srivalli:

- ₹150 → 1 kg
- ₹100 → 2 kg
- ₹50 → 3 kg

The downward-sloping curve represents the inverse relationship between price and quantity demanded, assuming other factors remain constant.

6. Individual Demand vs Market Demand

Individual Demand

Quantity demanded by **one consumer** at different prices.

Market Demand

The total quantity demanded by **all consumers** at different prices.

The textbook gives three consumers:

Srivalli + Alex + Israt

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

Formula

Market Demand = $Q_1 + Q_2 + Q_3 + \dots$

The textbook also points out that the **market demand curve is flatter** because it combines the responses of many consumers.

7. Determinants of Demand

Price is not the only factor affecting demand.

Demand can change because of several other factors.

A. Price of Related Goods

There are two important types:

Substitute Goods

Goods that can replace each other.

Examples:

 Tea ↔ Coffee

 Mangoes ↔ Bananas

If the price of coffee increases while the price of tea stays the same, some consumers may switch to tea.

Therefore:

Price of substitute ↑ → Demand for the other good ↑

B. Complementary Goods

Goods generally used together.

Examples:

 Smartphone + Earphones

 Car + Petrol

 Printer + Cartridges

 Movie ticket + Popcorn

If the demand for printers increases, demand for printer cartridges may also increase.



8. Income of Consumers

When household income increases, people may:

- ↑ Buy more goods
- ↑ Choose higher-quality products
- ↑ Increase spending

Thus, a rise in income can increase demand for several goods even if their prices remain unchanged.



9. Taste and Preferences

Every consumer has different:

- ♥ Likes
- ★ Preferences
- 🍴 Tastes

These affect demand.

For example, if a person particularly likes mangoes, they may continue buying mangoes even if another fruit becomes cheaper.



10. Population

The size and composition of a population can influence demand.

For example:

- 👦 More children → greater demand for sports shoes
- 👤 More working adults → greater demand for formal shoes
- 👴 More elderly people → greater demand for comfortable or orthopaedic shoes

Therefore, population structure can influence the types of goods and services demanded.

11. Diminishing Marginal Utility

Think about eating mangoes:

-  First mango → 😊 Very enjoyable
-  Second mango → 😊 Good
-  Third mango → 😐 Less exciting
-  More mangoes → 😞 Less additional satisfaction

The additional usefulness or satisfaction obtained from consuming successive quantities decreases.

This is called the:

 **Principle of Diminishing Marginal Utility**

As the additional utility decreases, willingness to pay also decreases, which can reduce demand.

12. Seasonality

Demand changes according to:

-  Weather
-  Festivals
-  Academic sessions
-  Seasons
-  Cultural habits

Examples:

-  Beginning of academic year → More demand for books
-  Festivals → More demand for sweets
-  Winter → More demand for sweaters and jackets

These changes can happen even when the price of the product has not changed.



13. Future Price Expectations

People's expectations about future prices can affect **current demand**.

If people expect prices to fall:



They may postpone purchases



Current demand decreases

If people expect prices to rise:



They may buy now



Current demand increases

Example

People may postpone buying durable goods before festivals if they expect discounts during Diwali or New Year.



14. Supply



Meaning of Supply

Supply is the quantity of a product that sellers are willing and able to offer at a particular price.

Generally:



Price ↑ → Quantity supplied ↑



Price ↓ → Quantity supplied ↓

This is because higher prices can increase profitability and encourage producers to increase production.

This relationship is called the:



Law of Supply



15. Supply Curve

The supply curve generally slopes **upward**.

For example:

Price of Mangoes	Quantity Supplied
₹50/kg	1 kg
₹100/kg	2 kg
₹150/kg	3 kg

As price rises, the seller supplies more mangoes.

Therefore:



Higher price → Higher quantity supplied



16. Market Supply



Individual Supply

Quantity supplied by one seller.



Market Supply

The total quantity supplied by **all sellers** in the market.

The textbook gives:

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

Formula

Market Supply = A + B + C + ...

17. Determinants of Supply

Supply depends on several factors besides price.

A. Price of Related Goods

A producer may choose between different products.

Example:

 Wheat price → Low

 Chickpea price → High

The farmer may choose to produce more chickpeas because it is more profitable.

Thus, the profitability of alternative products can influence supply decisions.

B. Number of Sellers

If the number of sellers increases:

 More sellers



 Market supply increases



 Prices may fall

If the number of sellers decreases:

 Fewer sellers



 Supply decreases



 Prices may rise



C. Technology

Improved technology can reduce production costs and increase output.

Examples:



Drip irrigation



Weather sensors



Cold storage

Better technology can allow producers to supply more goods to the market.



D. Future Expectations of Producers

Producers also consider future prices and demand.

If producers expect demand to increase:



Expected demand ↑



Production ↑



Supply ↑

If they expect demand to fall:



Expected demand ↓



Production ↓



Supply ↓

For example, potato wholesalers may hold back supply if they expect prices to rise during a peak season.



18. Market Equilibrium

Markets involve interaction between:

 Buyers
and
 Sellers

Prices are determined through the interaction of **demand and supply**.

Market Equilibrium

Market equilibrium occurs when:

$$\text{Quantity Demanded} = \text{Quantity Supplied}$$

At this point:

- ☒ No excess demand
- ☒ No excess supply
- ☒ Market is cleared



19. Example of Market Equilibrium

Price	Quantity Demanded	Quantity Supplied	Outcome
₹40	38 kg	6 kg	 Excess Demand
₹100	12 kg	12 kg	 Equilibrium
₹150	8 kg	43 kg	 Excess Supply

★ Equilibrium:

Equilibrium Price = ₹100

Equilibrium Quantity = 12 kg

20. Excess Demand

When:

Quantity Demanded > Quantity Supplied

there is **excess demand**.

Example:

₹40:

 Demand = 38 kg
 Supply = 6 kg

→ There is a shortage.

21. Excess Supply

When:

Quantity Supplied > Quantity Demanded

there is **excess supply**.

Example:

₹150:

 Demand = 8 kg
 Supply = 43 kg

→ There is a surplus.

22. Does Market Equilibrium Exist in the Real World?

In theory, equilibrium is the intersection of demand and supply.

But real-world markets are **dynamic**.

They are affected by:

-  Technology
-  Wages
-  Interest rates
-  Wars
-  Political events
-  Pandemics
-  Weather
-  Natural disasters

Therefore, market equilibrium keeps changing.

The market is continuously adjusting towards a **new equilibrium**.

23. COVID-19 Example

During the COVID-19 pandemic:

 Demand for face masks increased sharply.

➡ Supply could not immediately keep up.

➡ Prices increased.

Later:

 Producers increased supply.

➡ Availability improved.

➡ Prices fell.

After the pandemic:

 Demand decreased further.

➡ Prices moved towards earlier levels.

This demonstrates how markets adjust when demand and supply conditions change.



24. Dynamic Pricing – Hotel Example

Hotels do not always charge the same room price.

The textbook gives an example of a hotel in Goa with 100 rooms:

Situation	Room Tariff
 Off-season weekday in July	₹1,500/night
 Tourist-season weekend in December	₹8,000/night
 New Year's Eve	₹25,000/night

Prices may even change several times in a day.

Factors include:



Season



Festivals/events



Prices of nearby hotels



Weather forecasts



Number of days before arrival



Past booking trends



Speed of bookings

This is an example of a **dynamic market**.



25. Revenue

Revenue is the total amount of money a business earns from selling goods or services or from other operating activities **before expenses are deducted**.

26. Markets and Long-Term Sustainability

Today's choices can affect future resources.

Examples:

-  High demand for fast fashion
-  Overfishing
-  Overuse of groundwater

These can damage future supply.

Therefore, economic decisions should consider not only:

-  Short-term gains

but also:

-  Long-term sustainability.
-

27. Price Ceiling

Definition

A **price ceiling** is a government-imposed maximum price that a seller can charge for a product or service.

-  Maximum permitted price

Example:

-  Government may regulate the price of essential medicines to prevent overcharging.
-

28. Price Floor

A **price floor** is an imposed limit on how low a price can be charged.

For a price floor to be effective, it must be set **above the market equilibrium price**.

Example

A government may set a **minimum wage** to ensure workers receive a minimum level of payment for their work.

29. Monopoly

A **monopoly** is a market structure where:

-  One seller or producer
-  Controls the entire supply of a unique product/service
-  Faces no close substitutes
-  Has significant power over price and output

Monopoly can negatively affect consumers if it results in:

-  Higher prices
 -  Restricted supply
 -  Poorer quality
-

30. Role of Government in the Economy

India is described in the textbook as a **market-based, regulated economy**, where prices depend on demand and supply.

However, markets may not always produce fair outcomes.

For example:

 If essential medicines become extremely expensive, low-income and vulnerable people may struggle to access them.

Therefore, government intervention can help protect:

-  Consumers
 -  Workers
 -  Producers
 -  Vulnerable groups
-

31. Regulation of Unfair Practices

The government regulates markets to protect people from:

-  Exploitation
-  Unfair practices
-  Excessive prices
-  Monopoly power

Examples:

-  **Price ceiling** → maximum price for essential goods
 -  **Minimum wage / price floor** → minimum payment for workers
 -  **Competition regulation** → prevents harmful monopoly practices
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32. Important Market Regulators in India

The textbook mentions several regulators:

-  **Reserve Bank of India (RBI)** → Banking
-  **Central Consumer Protection Authority** → Consumer rights and unfair trade practices
-  **Telecom Regulatory Authority of India (TRAI)** → Telecommunications
-  **Securities and Exchange Board of India (SEBI)** → Securities market

These institutions help ensure transparency and regulate different parts of the economy.



33. Hoarding and Black Marketing

During COVID-19:



Demand for sanitisers increased sharply.

This led to:

- ✗ Stockouts
- ✗ Sharp price increases
- ✗ Hoarding
- ✗ Black marketing

The government intervened by declaring sanitisers essential commodities and imposing a maximum retail price of **₹100 for a 200 ml bottle** during the emergency described in the textbook.



Hoarding

Accumulation of goods beyond what is immediately necessary, often because of:



Fear of shortages



Expected price increases



Speculative motives



Black Marketing

Illegal trade in goods and services that are banned or regulated.



34. Public Goods

Public goods are goods and services provided by the government for the benefit of citizens.

Examples:



Roads



Bridges



Public parks



Street lighting



National defence

-  Sanitation
-  Drainage systems

These are often not provided adequately by private companies because they may not generate direct profit.

35. Why Does the Government Provide Public Goods?

Imagine a neighbourhood needs a park.

 The park benefits many families.

But individual families may think:

"If everyone else pays, I can use the park without paying."

As a result:

-  Not enough money is collected
-  Park may not be built

This is why government provision or funding can be important for public goods and services.

36. Limitations of Government Intervention

Government intervention can be useful, but **excessive intervention can also create problems**.

The textbook identifies three major limitations.

A. Price Distortions and Reduced Producer Incentives

If the government fixes a price below the market price:

- 💰 Producer receives less
- ↓
- 👨🍳 Motivation to produce may decrease
- ↓
- 📦 Production may fall
- ↓
- ⚠️ Shortage may occur

Example:

Market price = ₹30/kg

Government maximum price = ₹20/kg

The lower price may reduce incentives for producers.

🟠 B. Compliance Burdens

Too many regulations may require:

- 📄 Licences
- 📝 Permits
- 📋 Clearances
- ⌚ Time
- 💰 Additional costs

This can particularly affect small businesses.

Example:

A small restaurant may need permissions related to:

- 🍴 Food safety
 - 🔥 Fire safety
 - 🌱 Pollution control
 - 🏛️ Local clearances
-

🟡 C. Discourages Innovation and Entrepreneurship

Heavy regulation and price controls can reduce incentives to:

- 💡 Develop new ideas
- 💻 Adopt technology
- 🌱 Invest in better seeds
- 💧 Improve irrigation
- 📈 Increase productivity

If producers cannot earn adequate returns, they may be less willing to invest in improvements.

37. Ease of Doing Business

Ease of doing business refers to how simple it is to:

- 🏢 Start a business
- ⚙️ Run a business
- 🏠 Close a business

It depends on factors such as:

- 📜 Regulations
 - 🏛️ Bureaucratic efficiency
 - ⚖️ Legal frameworks
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38. Chapter Summary

The central ideas of Chapter 9 are:

Demand

Quantity consumers are willing and able to buy at different prices.

📈 Price falls → Quantity demanded rises.

Demand is influenced by:

- 💰 Income
- 🔄 Substitutes
- 🔗 Complements
- ❤️ Tastes
- ☀️ Seasonality

-  Future expectations
-  Population

Supply

Quantity sellers are willing and able to offer at different prices.

 Price rises → Quantity supplied rises.

Supply is influenced by:

-  Prices
-  Related goods
-  Number of sellers
-  Technology
-  Input costs
-  Weather
-  Future expectations

Market Equilibrium

Quantity Demanded = Quantity Supplied

Markets are dynamic and continuously adjust as conditions change.

Government

Government may intervene to:

-  Protect consumers
-  Make essential goods accessible
-  Provide public goods
-  Regulate monopolies
-  Prevent unfair practices

But excessive intervention can cause:

-  Price distortions
-  Compliance burdens
-  Reduced innovation

39. Important Definitions

- ◆ **Demand**

Quantity of a product consumers are willing and able to buy at a particular price.

- ◆ **Law of Demand**

An inverse relationship between price and quantity demanded.

- ◆ **Supply**

Quantity of a product sellers are willing and able to offer at a particular price.

- ◆ **Law of Supply**

A direct relationship between price and quantity supplied.

- ◆ **Market Demand**

Total demand of all consumers in the market.

- ◆ **Market Supply**

Total supply of all sellers in the market.

- ◆ **Market Equilibrium**

The point where quantity demanded equals quantity supplied.

- ◆ **Price Ceiling**

Maximum price a seller is legally allowed to charge.

- ◆ **Price Floor**

Minimum price that can be charged for a product or service.

- ◆ **Monopoly**

Market structure with a single seller or producer controlling the supply of a product/service.

- ◆ **Hoarding**

Accumulation of goods beyond immediate requirements, often due to expected shortages or price increases.

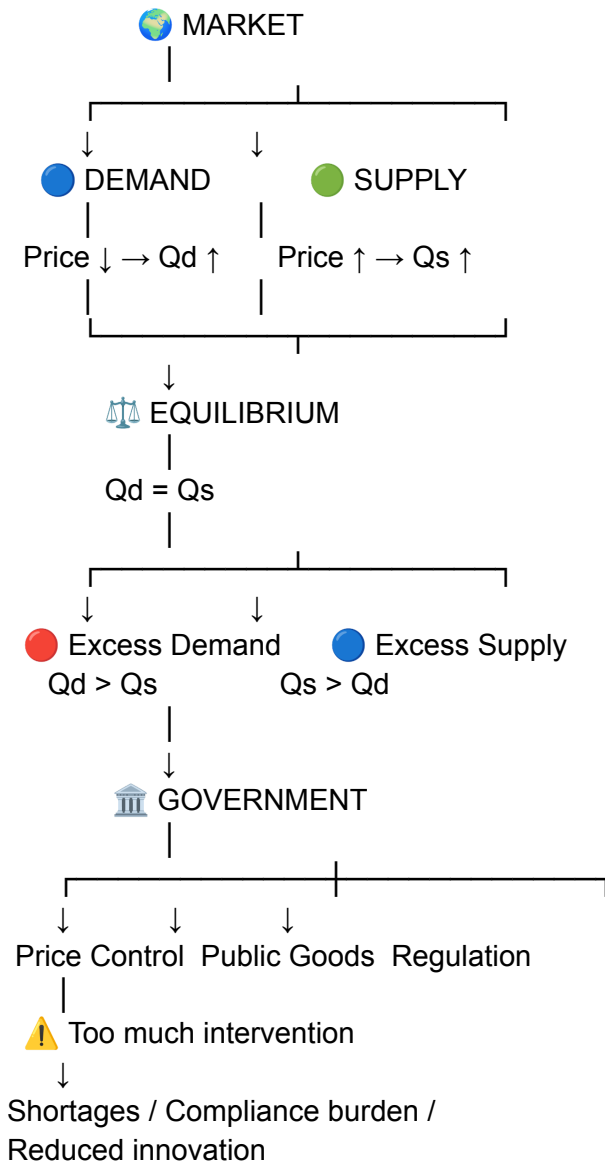
◆ **Black Marketing**

Illegal trade in goods or services that are banned or regulated.

40. Most Important Exam Points

- ★ **Demand = Willingness + Ability to Buy**
 - ★ **Law of Demand:** Price $\uparrow \rightarrow$ Demand $\downarrow$
 - ★ **Law of Supply:** Price $\uparrow \rightarrow$ Supply $\uparrow$
 - ★ **Market Demand = Sum of Individual Demands**
 - ★ **Market Supply = Sum of Individual Supplies**
 - ★ **Substitute goods** can replace each other.
 - ★ **Complementary goods** are generally used together.
 - ★ Income, taste, population, seasonality and future expectations affect demand.
 - ★ Technology, number of sellers, related goods and future expectations affect supply.
 - ★ **Market Equilibrium = $Q_d = Q_s$**
 - ★ **Excess Demand = $Q_d > Q_s$**
 - ★ **Excess Supply = $Q_s > Q_d$**
 - ★ Real-world markets are dynamic and continuously adjust.
 - ★ **Price ceiling = Maximum price**
 - ★ **Price floor = Minimum price**
 - ★ Government provides many **public goods**.
 - ★ Excessive government intervention can create shortages, compliance burdens and reduced incentives for innovation.
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⚡ 41. Quick Revision Chart



The textbook concludes that markets should be understood as **dynamic systems**, constantly adapting to changing demand, supply, technology, income, weather and other conditions.

📌 One-line revision:

Demand + Supply → Price → Market Equilibrium → Government Intervention when necessary → Dynamic Market 🚀