

CBSE • CLASS 9 • SOCIAL SCIENCE

SOCIAL SCIENCE

CHAPTER 09

The Price Puzzle: What Drives the Market



NCERT SOLUTIONS



INCOME AND DEMAND

Q1. An increase in income always leads to a rise in demand for goods.
Defend or refute, giving reasons for the same.

I refute the word 'always'.

Higher income increases purchasing power. Consumers can generally buy more goods or choose better-quality products.

But income is only one factor affecting demand. Demand also depends on prices, tastes and preferences, seasonality, and expectations about future prices.

For example, if people expect festival discounts, they may postpone a purchase even when they can afford it now.

Therefore, rising income often raises demand, but it does not guarantee more demand for every good in every situation.

PETROL PRICES AND RELATED DEMAND

Q2. If petrol prices double, what happens to

- (a) Demand for diesel cars
- (b) Demand for electric cars
- (c) Demand for car accessories
- (d) Demand for public transport?

These are likely effects, assuming other prices and important conditions stay the same.

(a) **DIESEL CARS**

Demand may rise. Some buyers may choose diesel cars instead of petrol cars to avoid the higher petrol cost.

(b) **ELECTRIC CARS**

Demand may rise because electric cars offer another alternative to petrol cars.

(c) **CAR ACCESSORIES**

Demand may fall if fewer cars are bought or used. But this is not certain: people choosing diesel or electric cars may still buy accessories.

(d) **PUBLIC TRANSPORT**

Demand may rise. Some people may switch from petrol cars to public transport because travelling by petrol car becomes more expensive.

TECHNOLOGY, COST AND SUPPLY

Q3. A farmer traditionally irrigates fields manually (labour-intensive). He installs drip irrigation (a technology upgrade) that reduces water use by 40 per cent and increases yield by 30 per cent. How does this affect

- (a) His cost of production
- (b) His willingness to supply at different prices
- (c) The overall market supply if many farmers adopt this technology?

(a) COST OF PRODUCTION

Technology makes production more efficient. The farmer uses less water and produces more output, so the cost per unit is likely to fall. The given percentages do not tell us the exact fall in total cost.

(b) WILLINGNESS TO SUPPLY

Lower cost per unit can make production more profitable. The farmer is likely to offer more output at the same price and can supply at lower prices than before.

(c) MARKET SUPPLY

If many farmers adopt this technology, their individual supplies increase. As market supply is the sum of individual supplies, the overall market supply is likely to rise.

FESTIVAL SALES AND MARKET EQUILIBRIUM

Q4. During online festival sales, the prices of many products are very low. Use the concept of demand and supply to explain why the sellers sell at such a low price. What happens to the equilibrium when the price is lowered? Does this benefit only consumers or sellers as well? Explain.

1. WHY SELLERS LOWER PRICES

Lower prices usually increase the quantity demanded. Festival demand and competition can encourage sellers to offer discounts and sell more goods.

3. WHO BENEFITS?

Consumers can buy at lower prices. Sellers may also benefit from selling a larger quantity. Their profit is not guaranteed, because it also depends on costs and the amount sold.

2. WHAT HAPPENS TO EQUILIBRIUM?

Equilibrium requires quantity demanded to equal quantity supplied. A price cut alone does not automatically create a new equilibrium.

If the sale price is below equilibrium and other factors stay unchanged, quantity demanded exceeds quantity supplied. There is a shortage. Changes in demand or supply can move the market towards a new equilibrium.

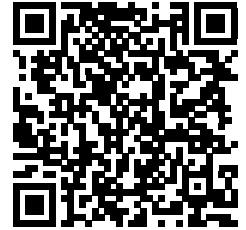


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