

ECON: Shortages and Surpluses

A shortage or surplus of the goods we buy can have a significant impact on the prices we pay. Since the goods we buy are often made up of other goods, it's common for a shortage or surplus anywhere in the supply chain to have a significant impact on the market. In this activity you will demonstrate shortages and surpluses, analyze what happens when they occur, and discuss how they can impact our daily lives.

Using This Activity In Class

Set up a space where you can safely play musical chairs. For this activity you will need a greater number of chairs than the number of students. If you don't have enough chairs, you can instead split the class into smaller groups and have them alternate rounds.

Once you've set up your space, play musical chairs starting with Round 1. (*Tip: If you're short on time, feel free to skip rounds two and four.*)

- Round 1: Far more chairs than students
- Round 2: A few more chairs than students
- Round 3: Equal number of chairs and students
- Round 4: A few less chairs than students
- Round 5: Far less chairs than students

Part I: Shortage and Surplus

After all rounds of the game have been completed, answer the following questions.

1. In the game, what represented:

- a. The Supplier:
- b. The Demander:

1. Describe what happened in the game when the **quantity of chairs supplied** was greater than the **quantity of chairs demanded**. In economic terms, what is this called?

2. Describe what happened in the game when the **quantity of chairs demanded** was greater than the **quantity of chairs supplied**. In economic terms, what is this called?

Part II: What Happens to Prices

Now, instead of playing musical chairs to see who is able to get a chair, imagine everyone can buy the chairs instead. (Note: You might be thinking, "Why would someone compete to buy one of these chairs?" For this activity, assume some kind of incentive exists that makes everyone want to have a chair.)

3. In rounds one and two, explain what you would expect to happen to the price people are willing to pay for a chair.

4. In rounds four and five, explain what you would expect to happen to the price people are willing to pay for a chair.

Part III: In the Real World

5. Create a scenario that could result in a shortage or surplus of a good or service you commonly spend money on. Explain whether this economic change would increase or decrease the price of that good or service and if you think that change would impact your willingness to buy it.