Auction activities
Fun ways of introducing demand and supply

An activity to introduce students to demand and supply in a fun and engaging way

Equipment required:

- A block or bar of chocolate (or several) or some other item of value that students may like to buy
- Whiteboard and texta

Demand-related auction

The teacher writes a list of prices on the board, usually starting from a ridiculously low price – such as 10c, and ending with a very high price, such as $4. (Usually at least 8 different price options is best.)

The teacher holds up the chocolate bar/s or other item/s and asks the class 'Who is willing and able to buy this X for … (the price)'. The teacher writes the quantity demanded next to the price, and proceeds to do this for each of the possible prices listed.

The teacher needs to impress upon students that they are indicating their **willingness** and their **ability** to purchase the chocolate at that price.

Teacher then explains that what the class has created together is called a '**demand schedule**'.

The teacher works with the students to unpack the ideas behind demand for a product including:

- That demand indicates a **willingness** and an **ability** to purchase
- That the demand schedule represents all the quantities demanded at all possible prices
- That this demand schedule can be used to create a **demand curve/graph**.

The teacher can then ask a student to come up to the board and plot the graph, the teacher having shown that the price is plotted on the y (vertical) axis and quantity demanded on the x (horizontal) axis.

The teacher can, if they wish to, draw their own 'supply curve', based on how many chocolate bars they would be willing and able to supply at each possible price.

Analysing/unpacking the results

The results can be used as a basis for discussion of how and why the demand curve is downward sloping, and also the utility and benefit gained from purchases. It can also be used to discuss **factors affecting demand -** concepts like the price and availability of substitutes – such as the option to buy the chocolate more cheaply from the canteen at recess or lunchtime – and student preferences. The activity can also stimulate discussion on income levels and how they affect demand, and even shifts in demand. For example, the teacher could discuss how the demand schedule and curve are likely to be different with a younger group of students who have lower (or no) discretionary income.

Supply-related auction

Similar to the demand –related auction, but this activity asks students to think about their role as the (potential) suppliers of labour, as the teacher is asking students to offer their labour to clean the teacher's car. (This is a useful activity because students often struggle with the idea that labour supply is about the willingness of workers to offer their labour at particular prices, and also students who are most familiar with their role as consumers, can generally find supply a challenging concept.)

The teacher writes a list of prices on the board ranging from very low prices (around $1) to very high prices (around $50).

The teacher then explains that they need their car washed. (Students can find this highly amusing, particularly if the teacher is known to have a fairly dirty or old car or a particularly nice new car! Or if the teacher makes the conditions less or more stringent – such as requiring a full wax and polish, or cleaning the car inside and out)

The teacher explains that they are asking students to indicate their **willingness and ability** to wash the teacher's car and asks how many students would be prepared and able to wash the teacher's car, at the price offered.

As with the demand activity, the teacher records the results in the supply schedule, and then unpacks the key points about the supply schedule:

- That supply indicates a **willingness** and an **ability** to supply
- That the supply schedule represents all the quantities supplied at all possible prices
- That this supply schedule can be used to create a **supply curve/graph**

The teacher can then ask a student to come up to the board and plot the graph, the teacher having shown that the price is plotted on the y (vertical) axis and quantity demanded on the x (horizontal) axis.

The teacher can, if they wish to, draw their own 'demand curve', based on how many students they would be willing and able to employ (demand) to clean their car, at each possible price.

Analysing/unpacking the results

The results can be used as a basis for discussion of how and why the supply curve is upward sloping, and also the **factors affecting supply**. It can used to discuss concepts like the price of other options for students supplying their labour. For more advanced classes, it could even be used to discuss concepts like elasticity of supply – as the price rises, how relatively responsive is the supply of labour to that increase in price?