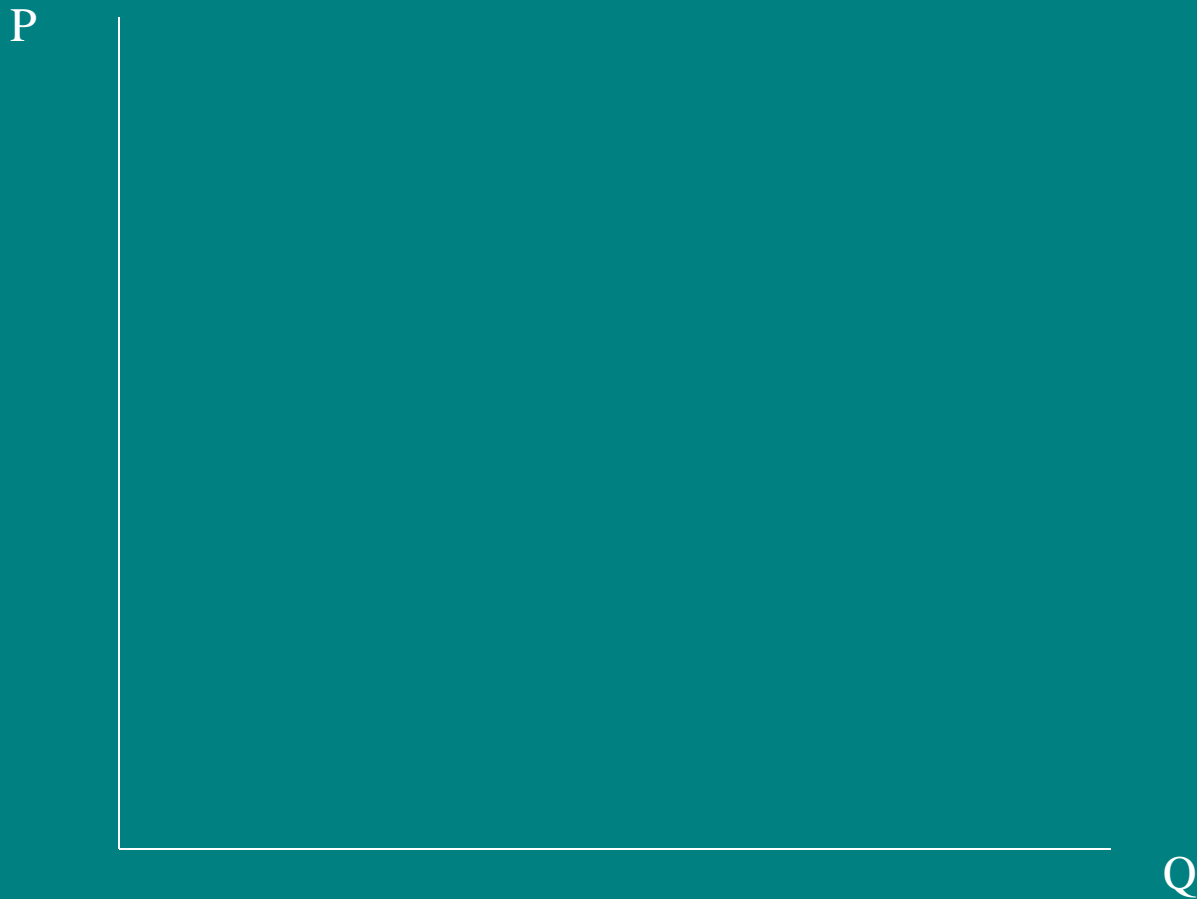


Chapter 6, Section 1

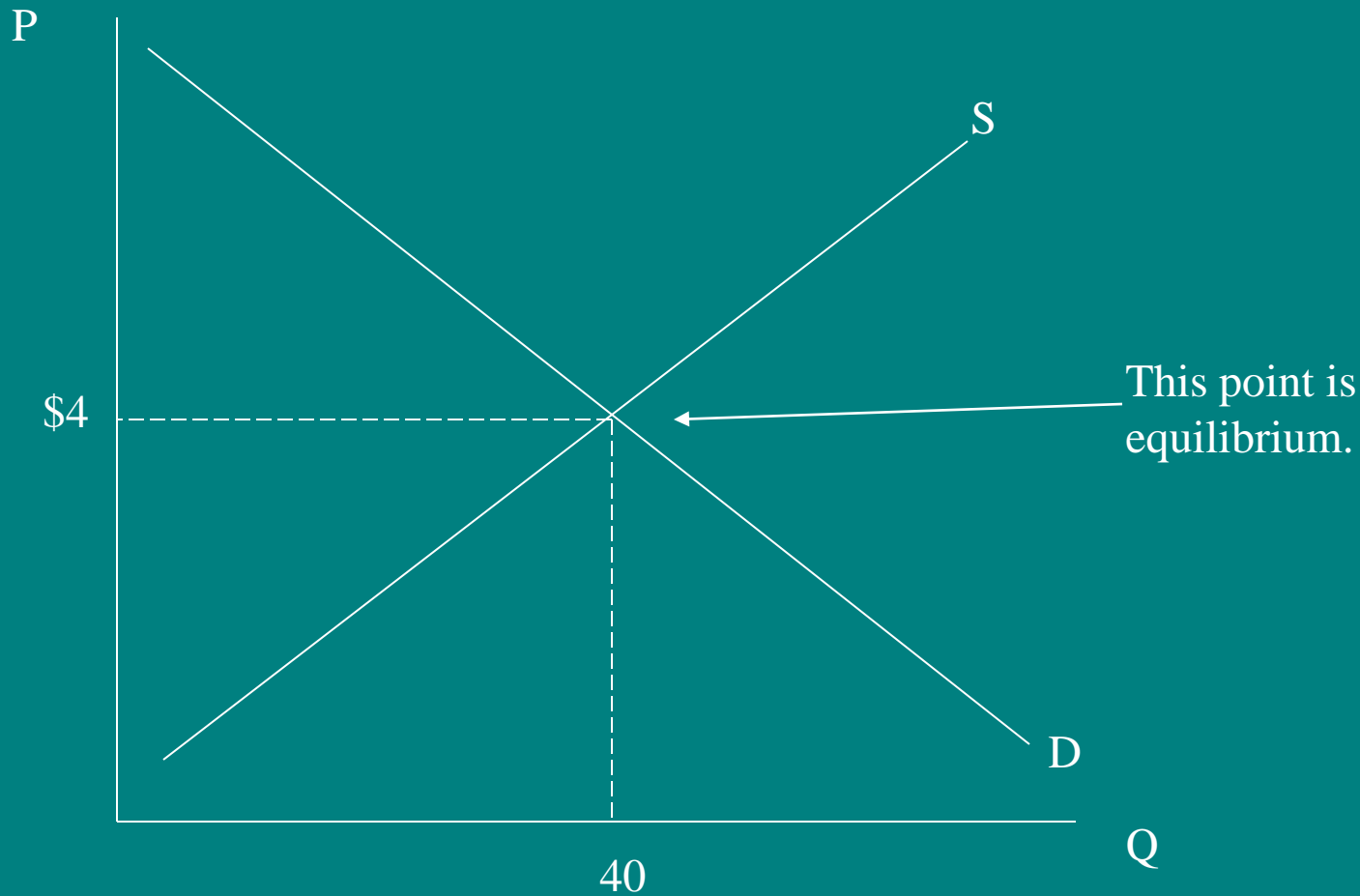
Seeking Equilibrium: Demand
and Supply

Price	QD (Quantity Demanded)	QS(Quantity Supplied)
\$7	10	70
\$6	20	60
\$5	30	50
\$4	40	40
\$3	50	30
\$2	60	20
\$1	70	10

Place both curves on the same graph.



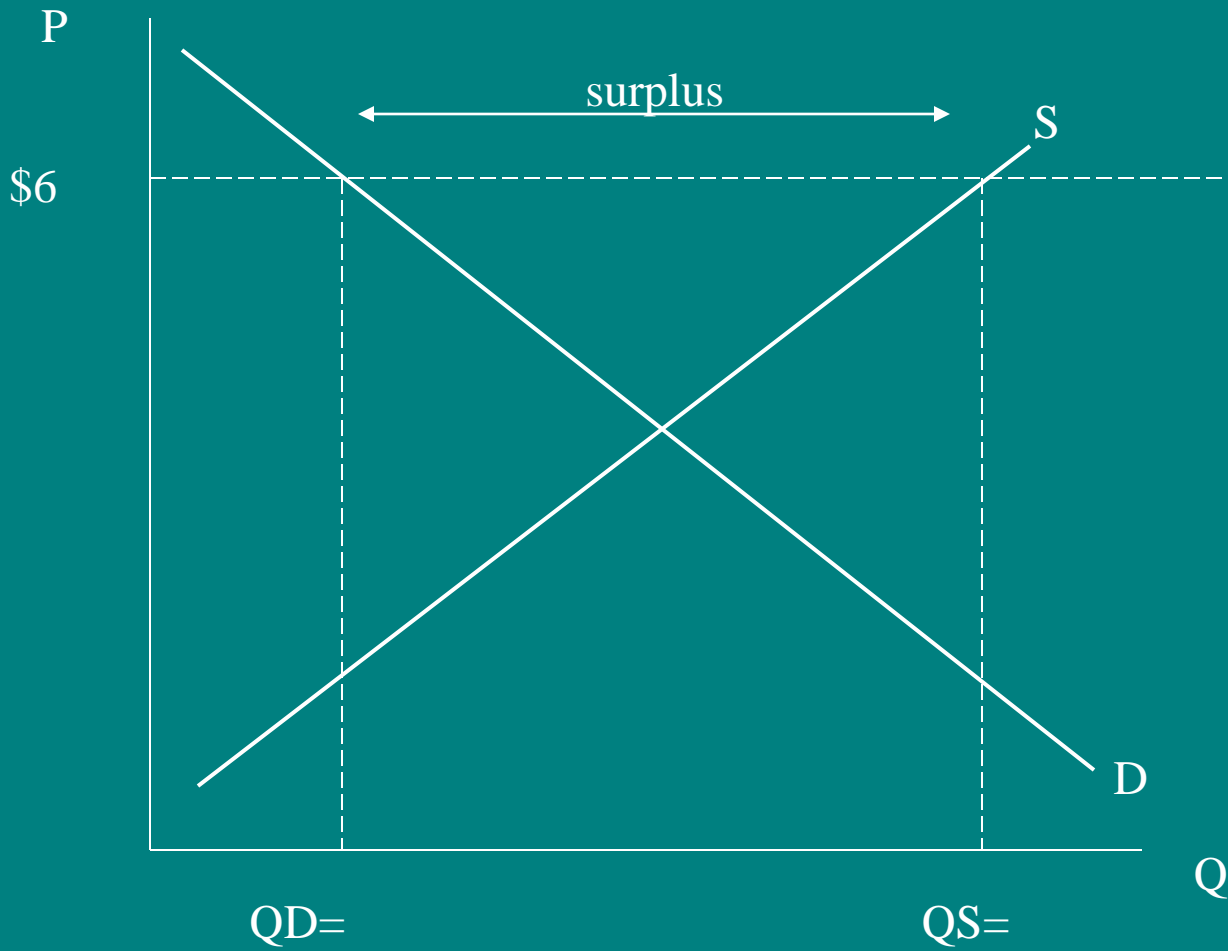
Place both curves on the same graph.



- Equilibrium: $Q_S=Q_D$
- Equilibrium Price: Price at which $Q_S=Q_D$
- Disequilibrium: any other point on a supply and demand graph other than equilibrium
- Total revenue at equilibrium is P^*Q

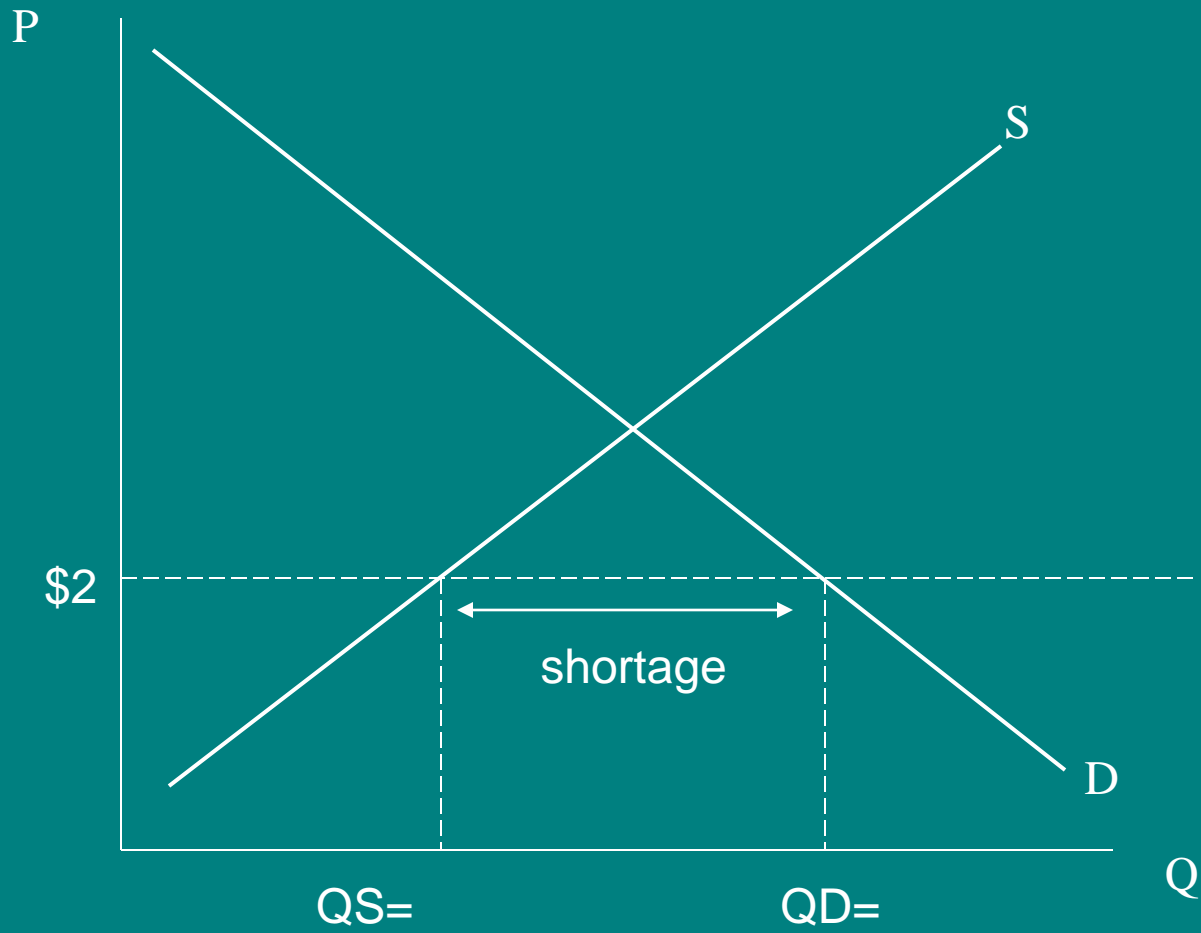
Back to our graph....

- What is the situation at a price of \$6?
- $QS > QD$. There's more supply than demand. This is called a surplus.

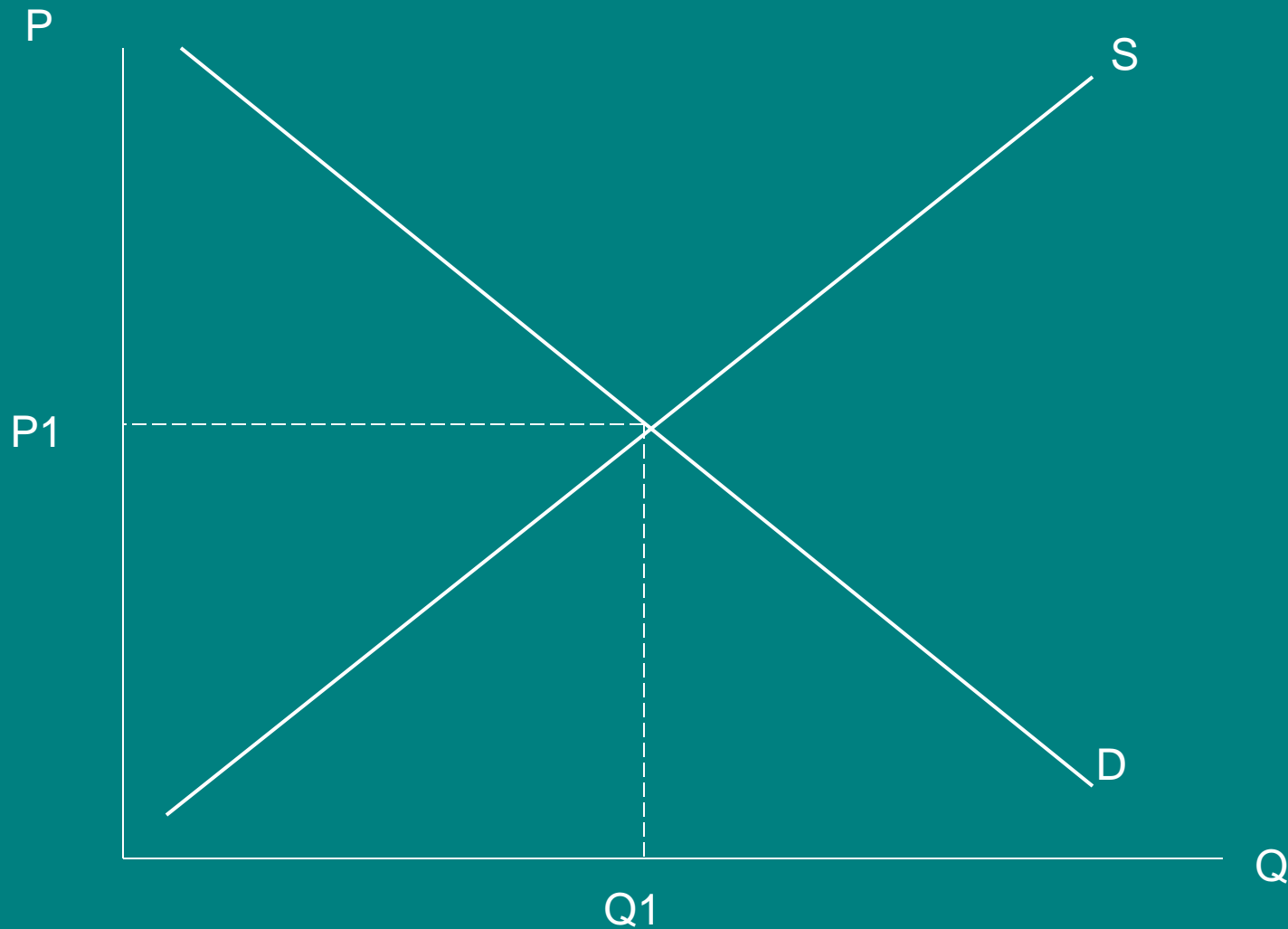


Back to our graph...

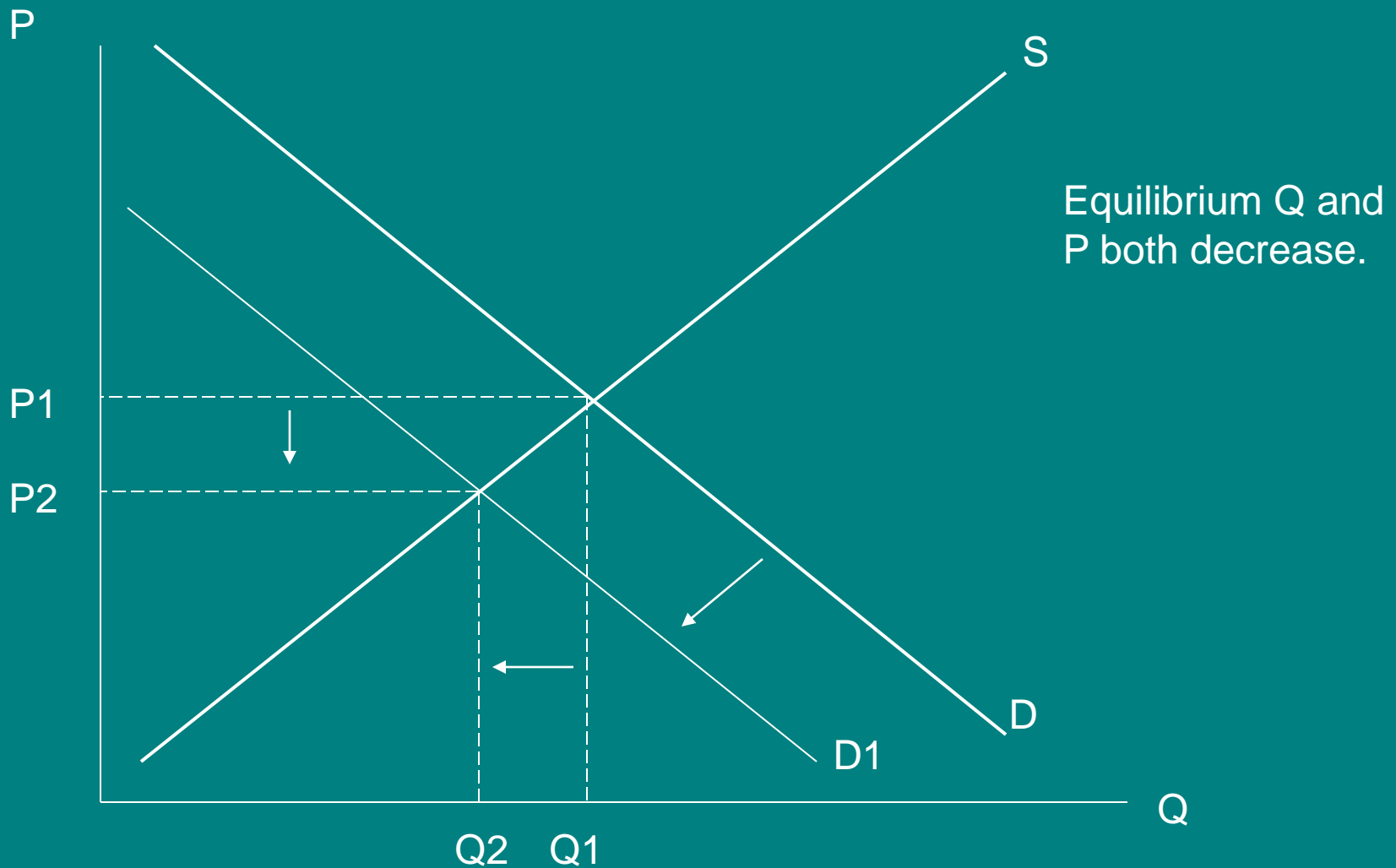
- What is the situation at a price of \$4?
- $QD > QS$. There's more demand than supply. This situation is called a shortage.



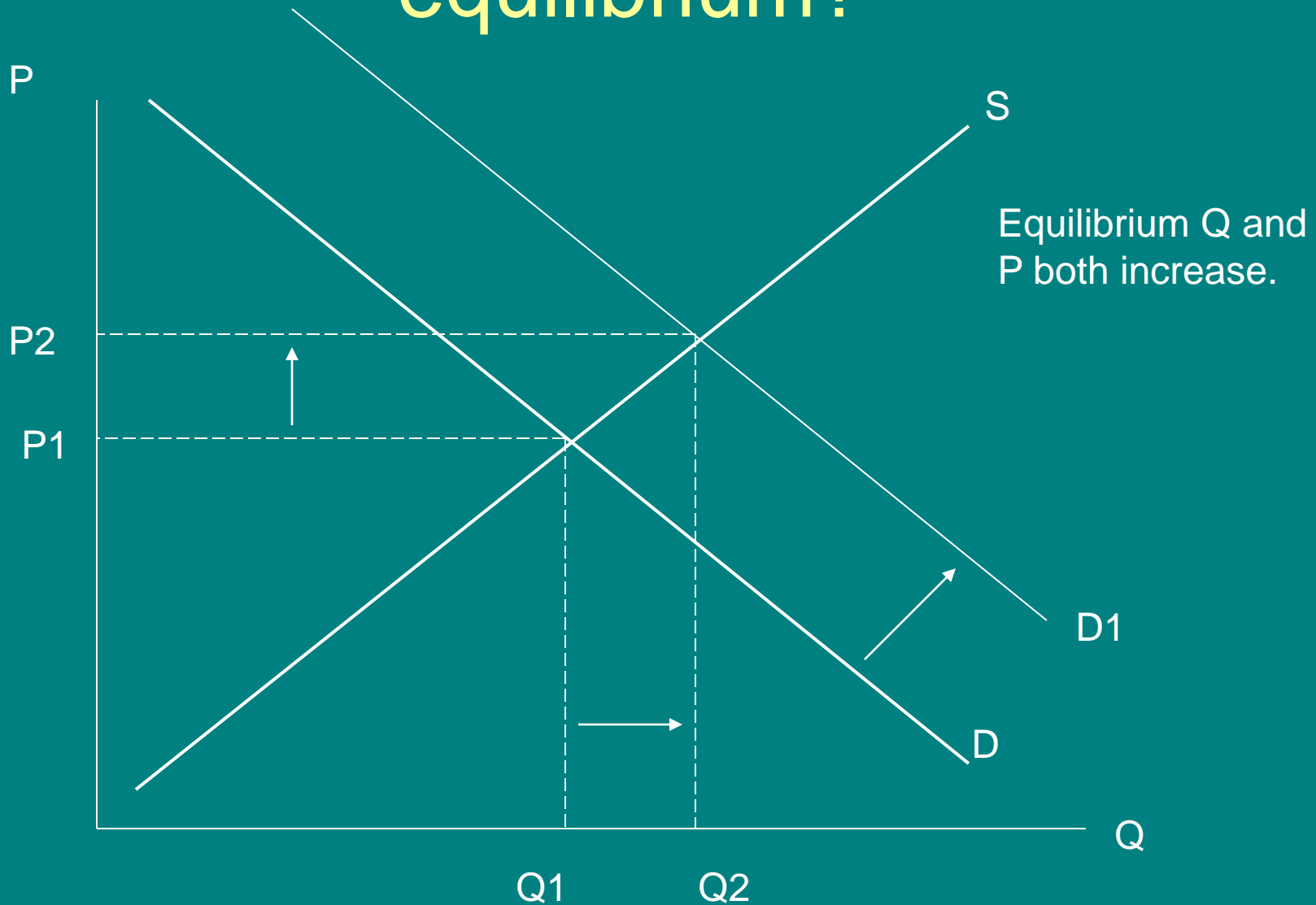
How do shifts in D or S affect equilibrium?



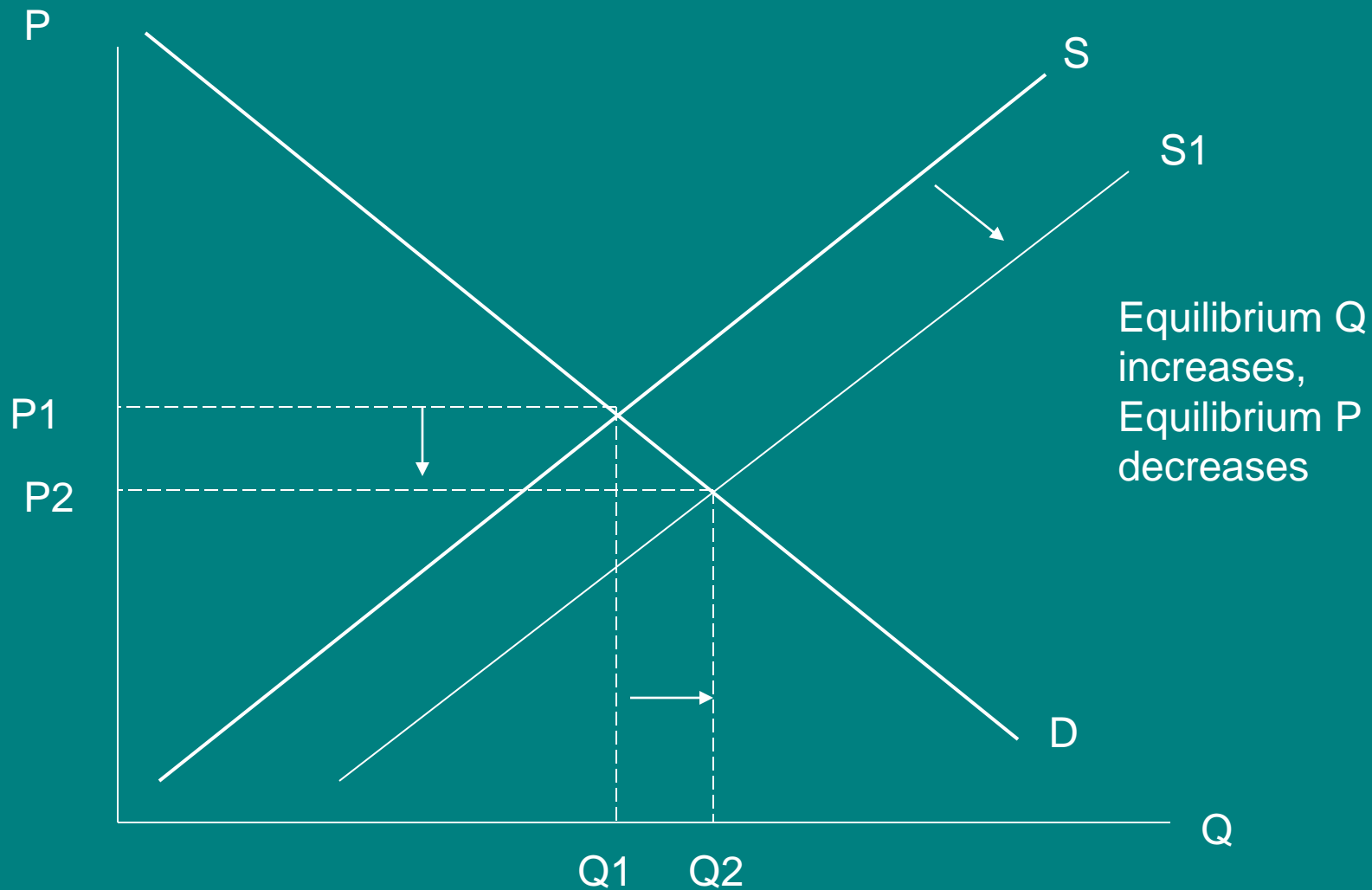
How does decrease in D affect equilibrium?



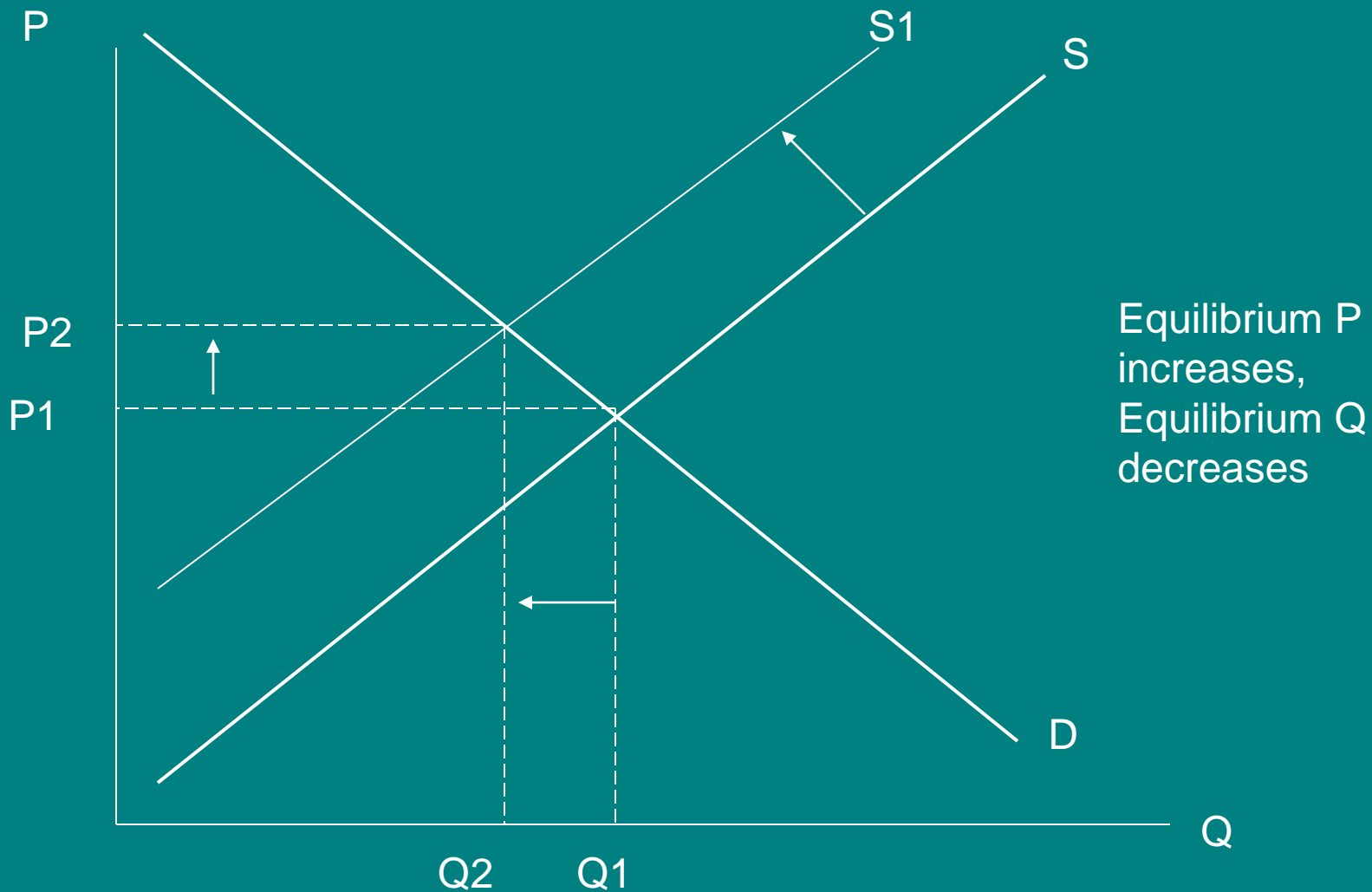
How does increase in D affect equilibrium?



How does increase in S affect equilibrium?



How does decrease in S affect equilibrium?



- What will happen to equilibrium price and quantity after a decrease in supply?
- What will happen to equilibrium price and quantity after a increase in supply?
- What will happen to equilibrium price and quantity after a decrease in demand?
- What will happen to equilibrium price and quantity after a increase in demand?

- What will happen to equilibrium price and quantity after a decrease in supply?
- P increases, Q decreases
- What will happen to equilibrium price and quantity after a increase in supply?
- P decreases, Q increases
- What will happen to equilibrium price and quantity after a decrease in demand?
- P decreases, Q decreases
- What will happen to equilibrium price and quantity after a increase in demand?
- P increases, Q increases