

## Supply Shifters

1. # of Suppliers
2. Physical Availability of resources

↑# suppliers → S↑

↓# suppliers → S↓

↑Phy Avail Resources → S↑

↓Phy Avail Resources → S↓

Don't have to memorize, just be able to think it through as if you are in the situation as if you are the **PRODUCER**

## Supply Shifters

3. Costs
4. Technology
5. Expected Future Price

↑Costs → S↓

↓Costs → S↑

↑Technology → S↑

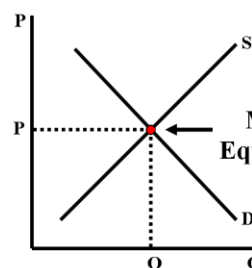
↓Technology → S↓

↑EFP → S↓

↓EFP → S↑

Don't have to memorize, just be able to think it through as if you are in the situation as if you are the **PRODUCER**

## Market Equilibrium



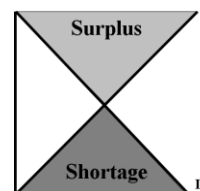
Prices are determined by Supply & Demand (the willingness to buy & sell)

Equilibrium is where quantity supplied equals quantity demanded. ( $Q_d = Q_s$ )

NOT where SUPPLY=DEMAND, that doesn't make sense because the entire curves will never be equal

## Surplus vs. Shortage

**Surplus** =  $Q_s > Q_d$  so #made is more than #wanted = extra products left



**Memory Trick**  
Shortages are "short" (on the bottom of graph)

**Shortage** =  $Q_d > Q_s$ , so #wanted is more than #made = not enough products

# Public Goods Vs Private Goods

Public Goods = product that is used collectively because it isn't easy to charge everyone who uses it  
Example: Parks, street lights,

Private Goods: goods that you have to pay for to consume.  
Example: can of soda (most goods)

## Monopoly

- Definition
- Barriers to Entry
- Solution

Monopoly = market structure where there is only one producer of a good or service.

Barriers to entry – methods used by monopolies to keep other companies out of the market. Ex: price wars, expensive licenses, copyrights or patents

*They are inefficient because there is no competition to keep price low*

Solution: **Anti-Trust laws** making it illegal unless the government approves it

## Tragedy of the Commons

## Property Rights

Tragedy of the commons = if there is no clear ownership people will abuse or exploit a resource.

Property Rights = the solution to the problem, they are why people work, save and invest

## Laissez Faire

- who's concept
- what does it mean?

Laissez Faire is a French phrase that means "let it be"

Adam Smith's idea that the gov't should stay out of the economy.