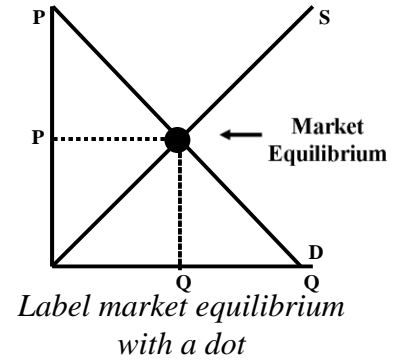


## Equilibrium Notes

Definitions:

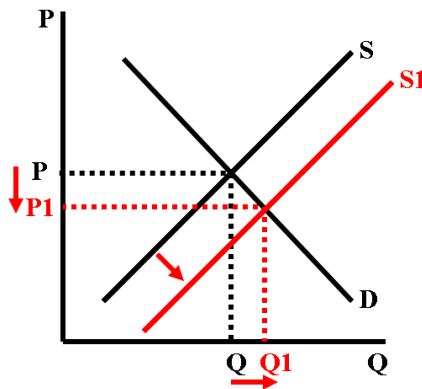
Market Equilibrium – exists at the only price where  $Q_s = Q_d$ ,  
AKA Market Clearing Price

**Vocab:** Equilibrium is where *quantity supplied equals quantity demanded*.  
Never say “where supply equals demand”. It doesn’t make sense, supply is the whole curve, demand is the whole curve, they are never going to be the same, they go in opposite directions. Only one dot can be equal and one dot is quantity demanded and quantity supplied



Single Shift: when a shift in either supply or demand changes the equilibrium

Example: increase in supply – add new curve and labels to graph below



Supply & Demand Practice Questions:

### PROCEDURE

For each question you will need to:

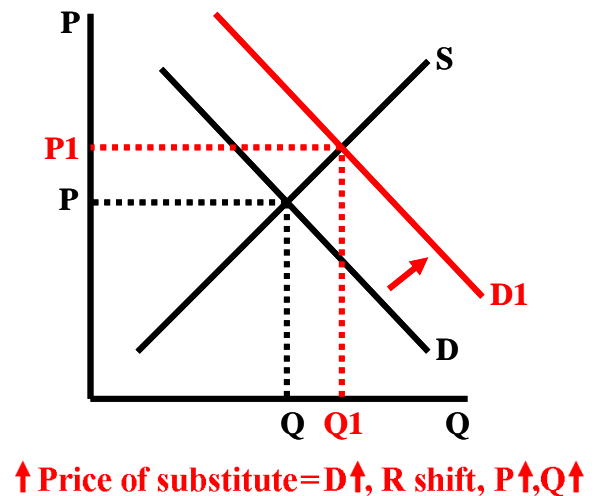
1. Start with a base supply & demand graph
2. Read the question

*The price of Coca Cola doubles, what happens to the market for Pepsi?*

3. Label the market
4. Figure out the Shifter  
– careful, it is a demand or supply shifter?  
Is it something that would effect a consumer’s decision or a supplier’s decision?
5. Explain: (under graph) shifter, change in S/D, direction and what happened to P and Q.
6. Draw the shift with new curve, P & Q’s (all labeled 1)
7. Go around the horn (check all labels)

Now you try it with the practice questions....

### EXAMPLE:



## Supply and Demand Practice Questions

1. What happens to the market for oranges when a sudden and severe frost hits Florida?
2. What happens to the market for CD's when the price of CD players goes down?
3. What happens to the market for CD's when the royalties paid to the song artist goes up?
4. The U.S. goes through a boom economy (boom = good, earnings increase), what happens to the market for steak?
5. The price of milk doubles; what happens to the market for cereal?
6. The price of airline tickets doubles, what happens to the market for bus tickets?

Bonus Question (only if you have extra time, you still get full credit even if you don't do it)

7. U.S. automakers start using robots instead of workers to produce its cars, what happens to the market for U.S. and Foreign automobiles?(Hint: 2 graphs, change in the first graph causes the shift in the second)

Graph one: market for U.S. Automobiles Graph two: market for Foreign Automobiles

**Grading: notes + 6 problems = 7 items**