

CONCEPT: SUPPLY AND DEMAND TOGETHER – EQUILIBRIUM

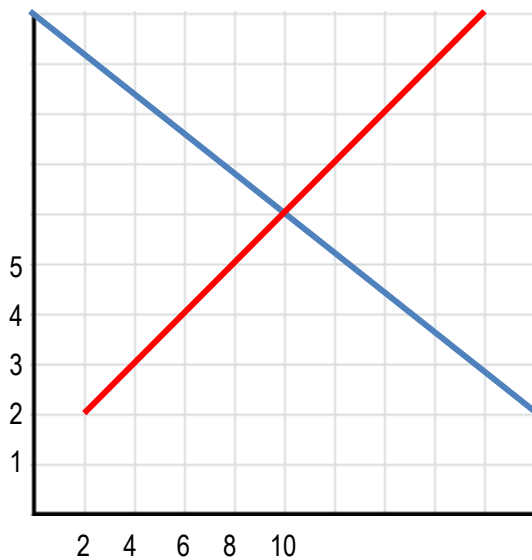
- Now, supply and demand will be analyzed together on one graph.

□ The market is in **equilibrium** when _____

- **Equilibrium price** – the price that balances Q_s and Q_d _____

- **Equilibrium quantity** – the Q_s and Q_d at the equilibrium price _____

Finding equilibrium on a graph



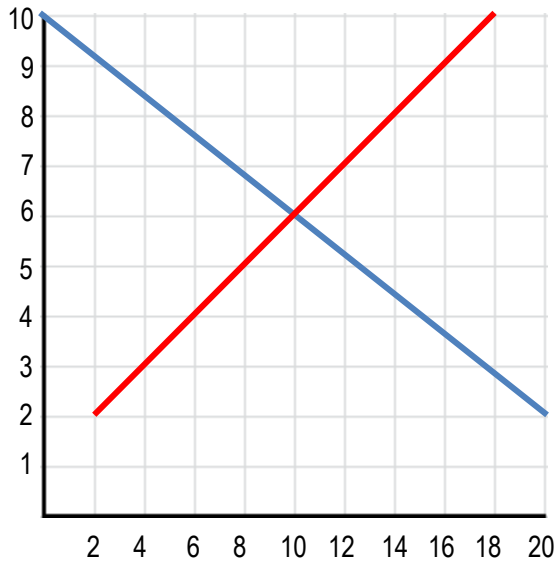
Finding equilibrium in a schedule

Price of a Supreme Pizza	Market Demand	Market Supply
2	20	2
4	15	6
6	10	10
8	5	14
10	0	18

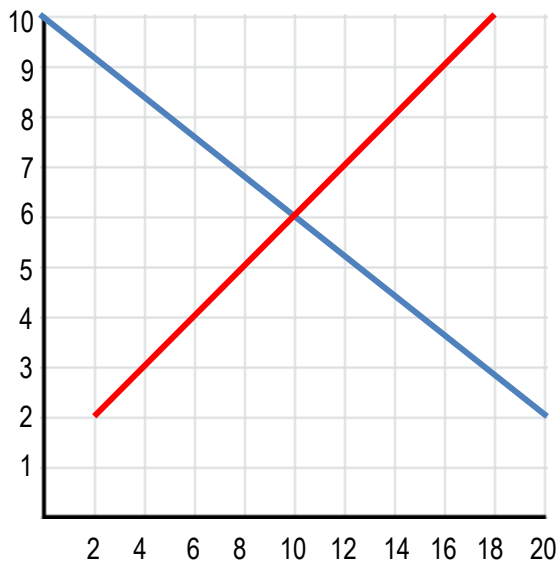
CONCEPT: SUPPLY AND DEMAND TOGETHER – SURPLUS AND SHORTAGE

- Sometimes the market is not in equilibrium.

☐ If the price is set too high, we have a **surplus**: _____



☐ If the price is set too low, we have a **shortage**: _____



☐ The **law of supply and demand** claims that the market price continually adjusts to balance Q_s and Q_d