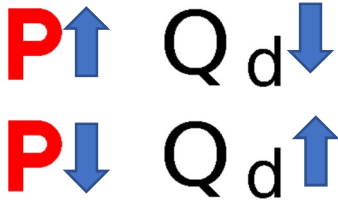


Supply and Demand cheat sheet

Law of Demand: *inverse/opposite* relationship between price and quantity demanded

Consumers want to buy more at low prices!



- **Quantity Demanded** = point on the curve (impacted by price of the product)
- **Demand** = the curve (impacted by anything other than price of the product)

Shifters of Demand

1. Taste/Preferences
2. Income of buyers
3. Number of buyers
4. Expectations (future prices)
5. Price of related goods (substitutes & complements)

IRDL the Turtle

Does the scenario make it **easier** for consumers to buy more stuff?

- **Increase (right)**

Does the scenario make it **harder** for consumers to buy more stuff?

- **Decrease (left)**

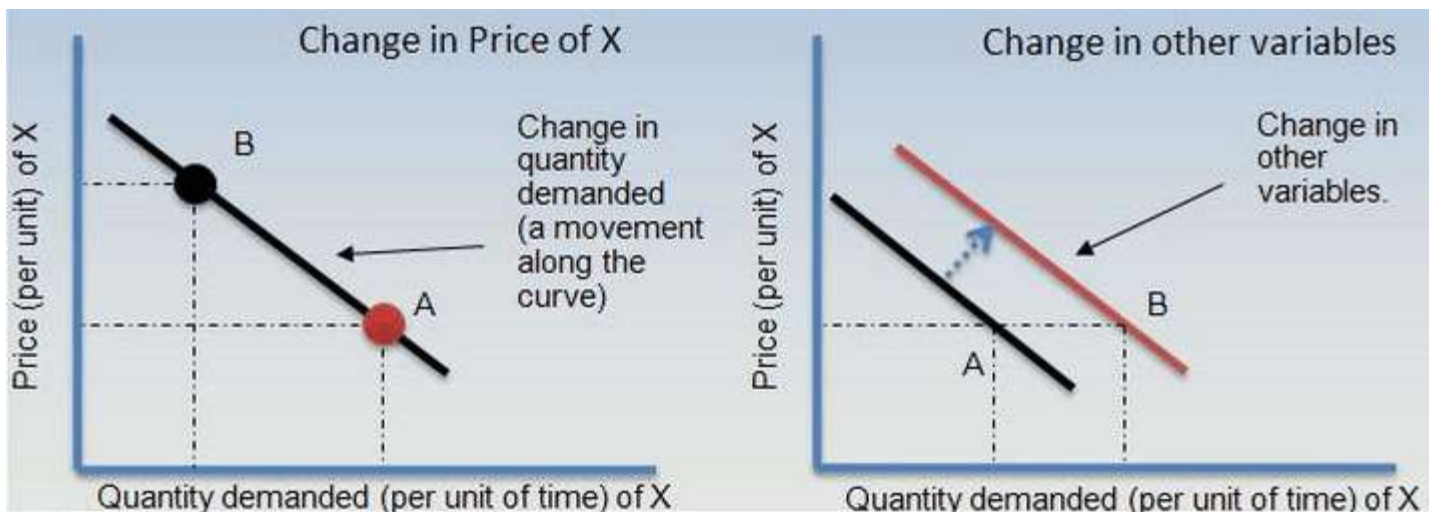
Substitutes (replace one another. I buy one or the other, not both – consumers want whichever one is cheaper)

- When the price of pepsy increases, the demand for coke increases
- When the price of pepsy decreases, the demand for coke decreases



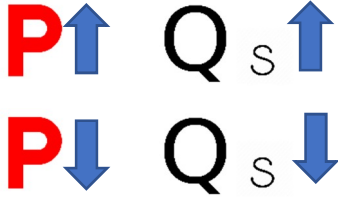
Complements (items bought together. If the price changes for one, it impacts the demand for the other – consumers don't want as much of something when prices go up)

- When the price of hamburgers increases, the demand for buns decreases
- When the price of hamburgers decreases, the demand for buns increases



Law of Supply: *direct/same* relationship between price and quantity demanded

Producers want to produce more at high prices!



- **Quantity Supplied** = point on the curve (impacted by price of the product)
- **Supply** = the curve (impacted by anything other than price of the product)

- Shifters of Supply**
1. Education
 2. Technology
 3. Price of resources
 4. Number of suppliers
 5. Expectations (future profits)
 6. Government regulation (taxes and subsidies)

Taxes: take away a businesses ability to produce as much

Subsidies: give more money to businesses to produce stuff

IRDL the Turtle

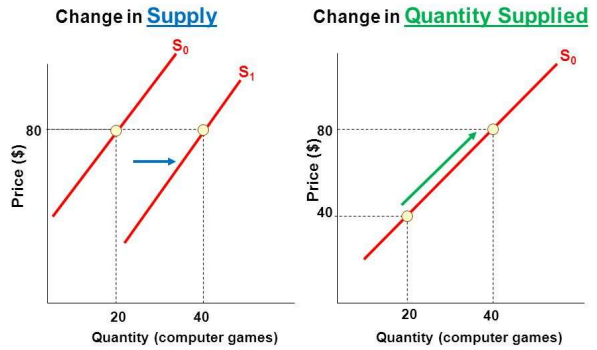
Does the scenario make it **easier** for producers to make more stuff or profit?

- **Increase (right)**

Does the scenario make it **harder** for producers to make more stuff or profit?

- **Decrease (left)**

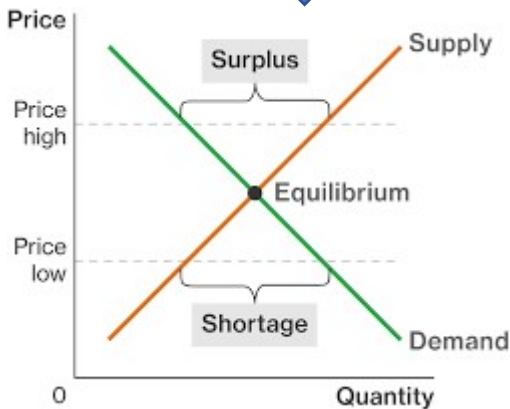
Changes in Supply vs. Changes in Quantity Supplied



Equilibrium = market clearing price.
Quantity demanded = quantity supplied

Surplus = more stuff than people willing to buy the stuff ($Q_s > Q_d$)

Shortage = not enough stuff being produced for the amount of people who want to buy ($Q_d > Q_s$)



Price controls

Price ceiling: government set price MAXIMUM

Price floor: government set price MINIMUM

