Supply & Demand

Economics

How price and quantity settle in a competitive market.

Equilibrium is where the quantity demanded equals the quantity supplied.

Qd = Qs at the equilibrium price

Price above equilibrium	Surplus, price falls
Price below	Shortage, price rises
Demand rises	Price and quantity both rise

THE COMMON MISTAKE

× Confusing a shift with a movement

✓ Price changes move along a curve

Only a non-price factor shifts a curve. A price change moves you along the existing one.

Demand shifters: income, tastes, substitutes, complements, expectations, population. Price is never among them.