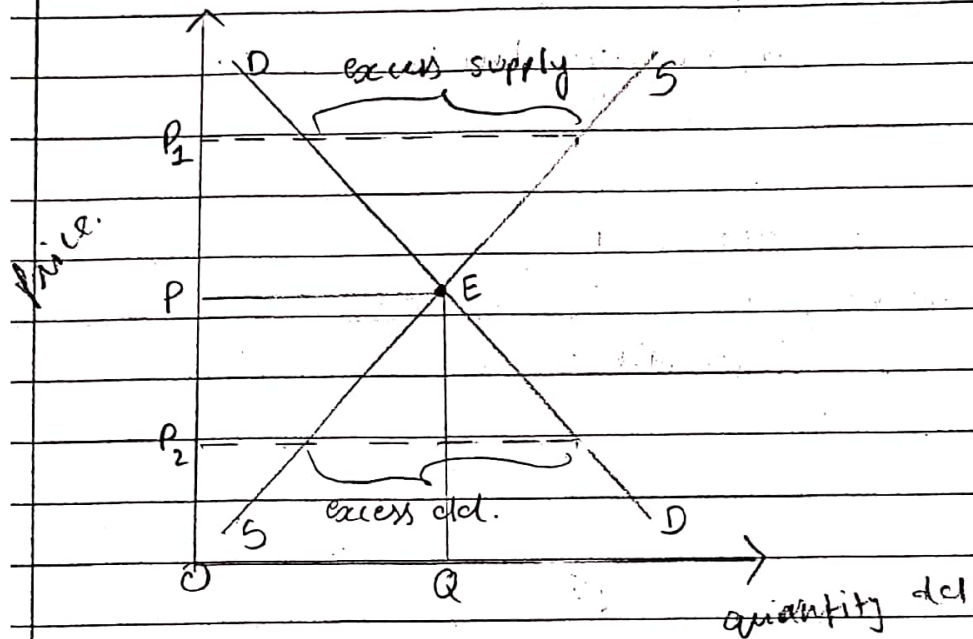


CH-6

Equilibrium price and quantity under perfect competition



Effects of change in demand and supply on Equilibrium price.

Change in
Demand

change in
supply

Simultaneous
change in
Demand & Supply

Special
cases

1] change in demand

i) Increase in demand:

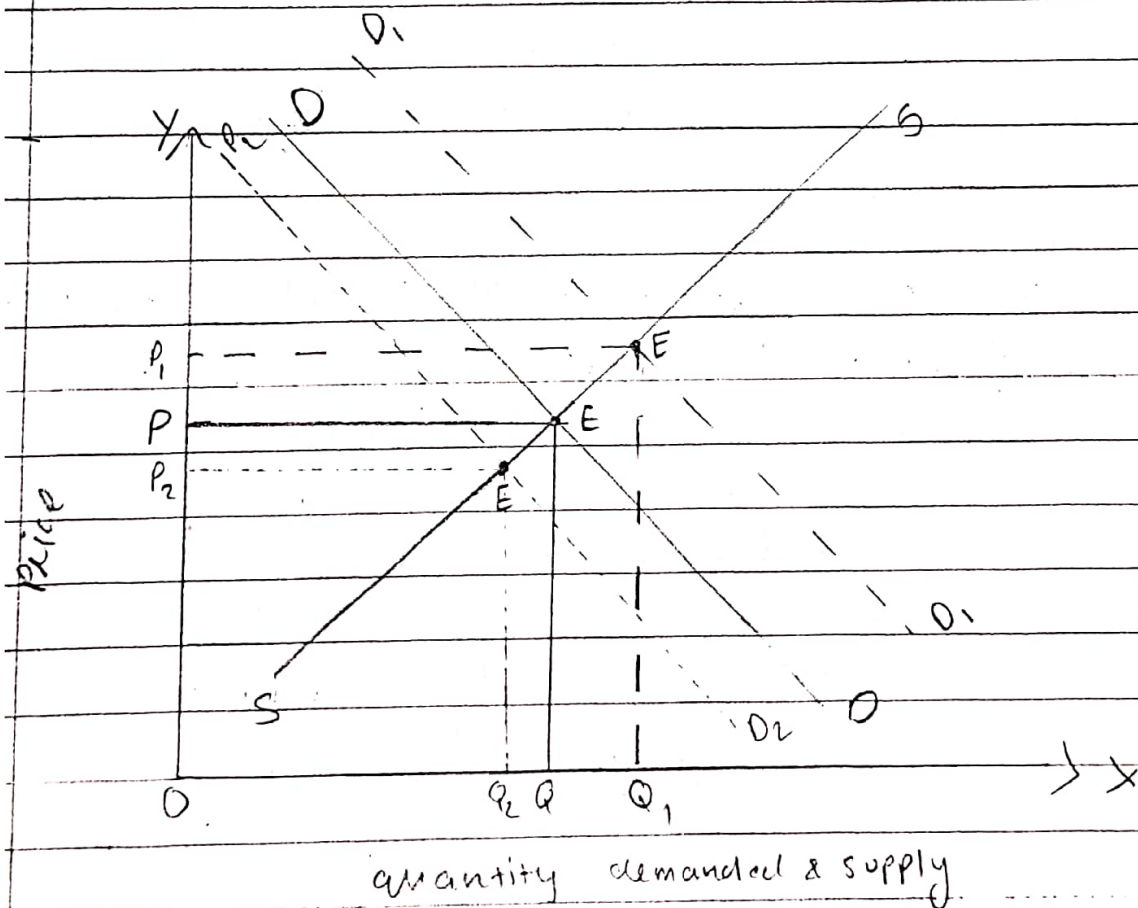
Equilibrium price: Increases

" quantity: Increases.

ii) decrease in demand

Equilibrium price: decreases

" quantity: decreases



B] Change in Supply:

Increase in Supply

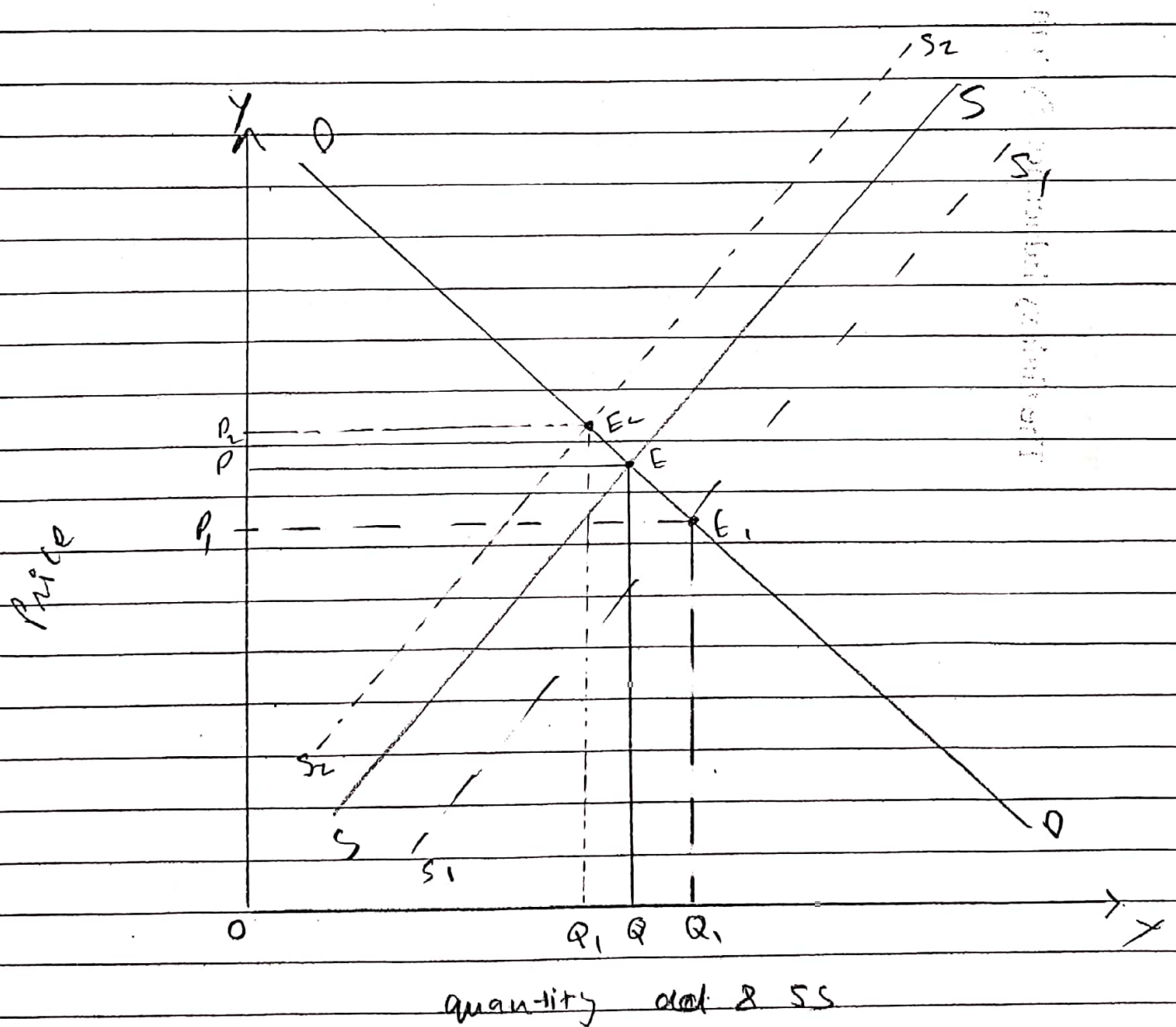
Equilibrium price: ~~increases~~ decreases

" quantity: increases

decrease in Supply

Equilibrium price: ~~decreases~~ increases

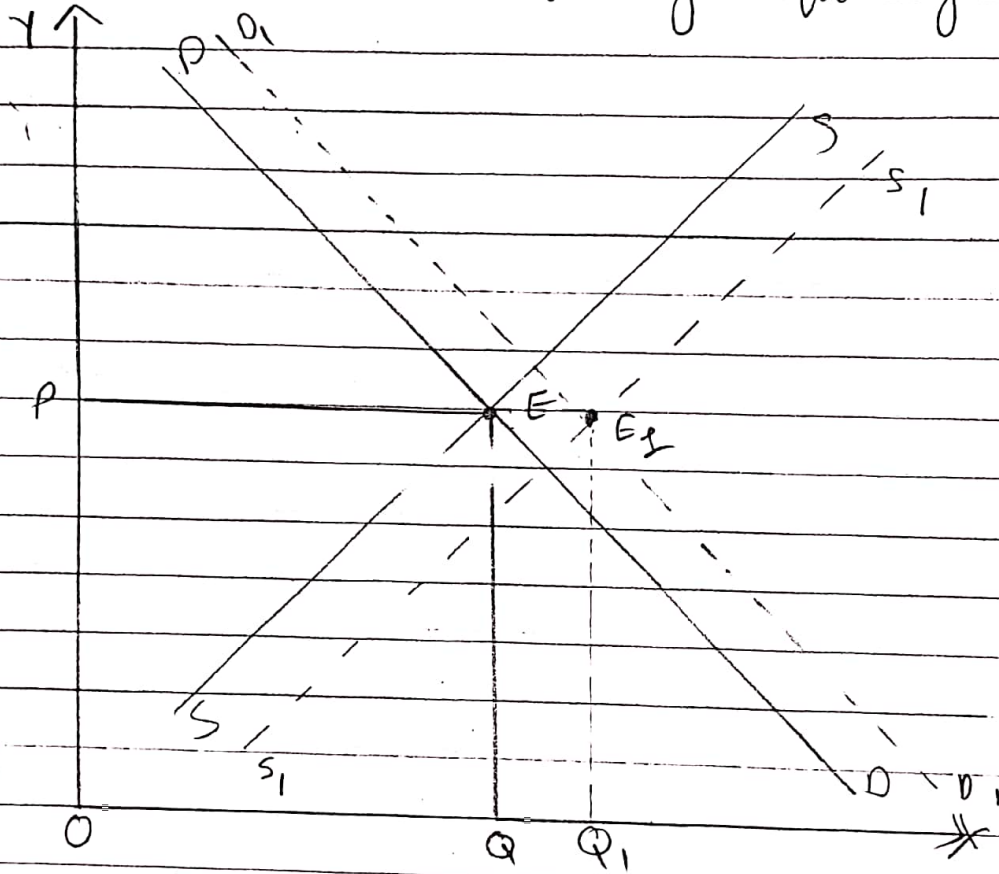
" quantity: ~~decreases~~ decrease



c) Simultaneous change in demand & supply.

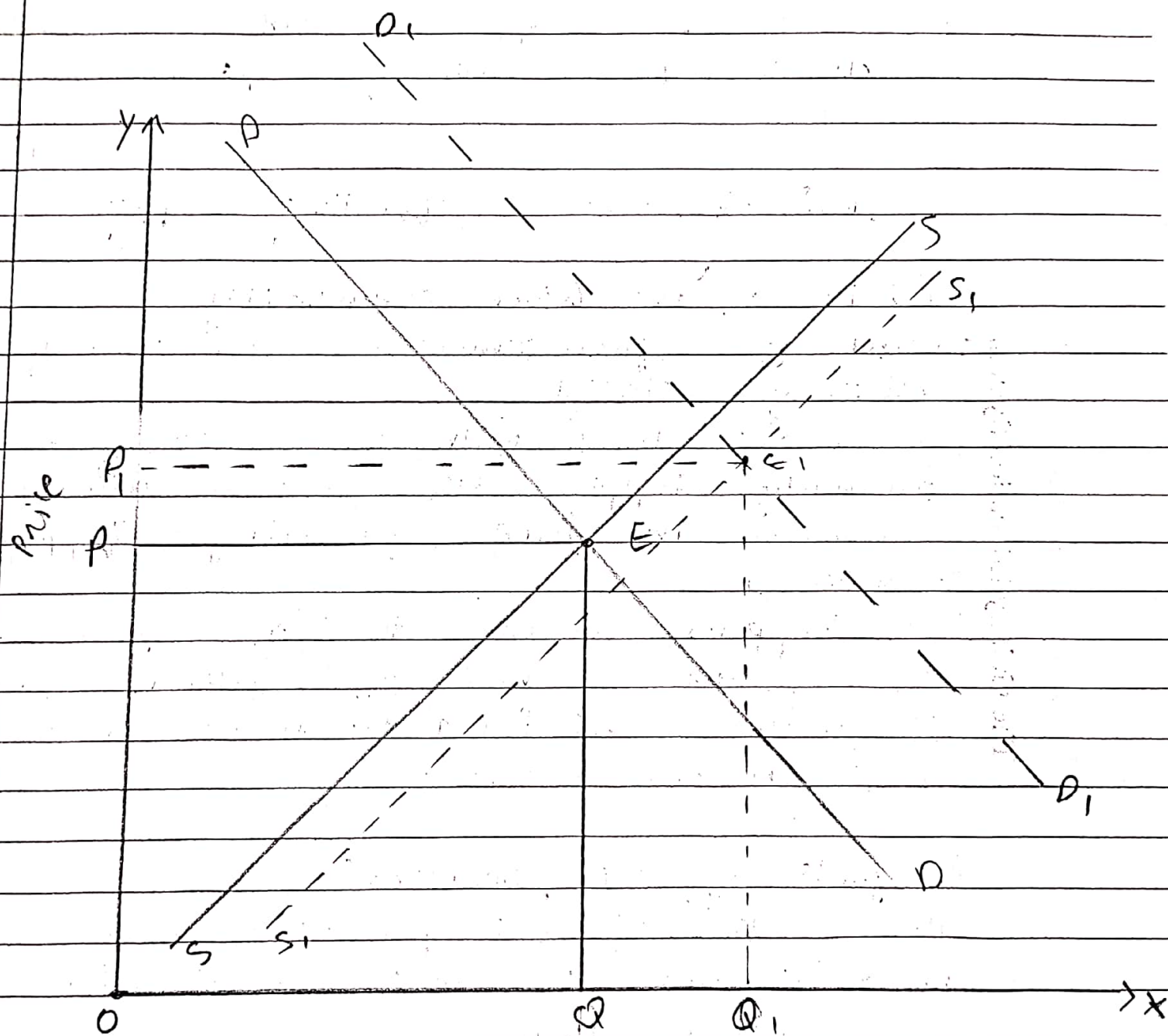
i) Both demand and supply increases

a) Both increases ~~exactly~~ equally.



Equilibrium price remain constant
" quantity ~~remain~~ increases

D ii) Demand increase more than supply.



quantity Q_1 & S_1

Equilibrium price : Increases
" quantity : Increases