# Learning Journal 2

# Supply and Demand: Changes in Equilibrium Price and Quantity

In a standard economic framework, a supply-demand graph is characterized by a downward-sloping demand curve and an upward-sloping supply curve. The demand curve, which moves from the upper left to the lower right, reflects consumers’ greater willingness to purchase goods at lower prices. Meanwhile, the supply curve, stretching from the lower left to the upper right, demonstrates that higher prices incentivize producers to offer more goods for sale. The intersection of these curves determines the market equilibrium—where the quantity of goods demanded equals the quantity supplied.

## a) Only supply decreases

When the supply curve shifts to the left, it signifies that producers are willing or able to supply fewer goods at each price level. According to basic economic theory, this contraction in supply results in an upward pressure on prices because the available quantity falls short of consumer demand. Consequently, the equilibrium price rises, while the equilibrium quantity declines. For example, disruptions in oil production often lead to immediate increases in fuel prices, reflecting reduced supply (Mankiw, 2021).

## b) Only supply increases

An outward (rightward) shift of the supply curve occurs when producers increase their willingness or ability to produce goods at every price point. This abundance generates a surplus at the initial equilibrium price, compelling sellers to lower prices to attract buyers. Therefore, the market adjusts with a decrease in equilibrium price and an increase in equilibrium quantity. A clear real-world instance is technological advancement in agriculture, where improved crop yields often lead to lower food prices and greater market availability (Case, Fair, & Oster, 2020).

## c) Only demand increases

An increase in demand, illustrated by a rightward shift of the demand curve, indicates that consumers are eager to purchase more at all price levels. As a result, the existing quantity of goods becomes insufficient at the original price, leading to competition among buyers and pushing prices higher. Consequently, both the equilibrium price and quantity ascend. A classic example is the spike in demand for housing in major cities, driving up both property prices and the volume of sales transactions (Krugman & Wells, 2018).

## d) Only demand decreases

Conversely, a leftward shift of the demand curve reflects reduced consumer interest at every price level. This leads to an excess of goods in the market, prompting sellers to lower prices to stimulate demand. The new equilibrium thus features a lower price and a reduced quantity. For instance, declining interest in traditional print newspapers has led to lower subscription prices and fewer sales, consistent with a fall in demand (Frank & Bernanke, 2019).

In each of these scenarios, the core principle remains: the market strives to balance the quantity demanded and supplied, adjusting prices and quantities accordingly to reach a new equilibrium. These predictable patterns underline the enduring relevance of supply and demand theory in explaining market dynamics.

# References

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