# price

High Price



Supply

Demand (A)

Demand (B)

0

0

Low Price

quantity

Low Quantity High Quantity

Increase in demand (for whatever reason): shift from “Demand (B)” to “Demand (A)” will increase equilibrium price and increase equilibriumquantity.

Decrease in demand (for whatever reason): shift from “Demand (A)” to “Demand (B)” will decrease equilibrium price and decrease equilibrium quantity.

Example 1:

Between April 2015 and April 2017 there was an increase in both price and quantity traded in the market for bushel of corn. This observed change in market equilibrium outcome would result from

1. a decrease in Supply.
2. an increase in Supply.
3. a decrease in Demand.

## an increase in Demand.

We can conclude that there is an Increase in demand (for whatever reason): shift from “Demand (B)” to

“Demand (A)” will increase equilibrium price and increase equilibriumquantity.

# price Supply (A)

High Price



Supply (B)

Demand

Low Price

quantity

Low Quantity High Quantity

* + **Increase in supply** (for whatever reason): shift from “Supply (A)” to “Supply (B)” will **decrease equilibrium price** and **increase equilibrium**

## quantity.

* + **Decrease in supply** (for whatever reason): shift from “Supply (B)” to “Supply (A)” will **increase equilibrium price** and **decrease equilibrium quantity**.

Example 1:

In April 2017 there was a decrease in supply, with no change in demand. That will lead to in equilibrium quantity and in equilibrium price:

1. a decrease; a decrease.

## a decrease; an increase.

1. an increase; an increase
2. none of the above is correct answer
   * **Decrease in supply** (for whatever reason): shift from “Supply (B)” to “Supply (A)” will **increase equilibrium price** and **decrease equilibrium quantity**.