Macroeconomics

Kadin Buckton

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Equilibrium

Equilibrium occurs at a price of $3 and a quantity of 30 units

Shortages and Surpluses

- A shortage occurs when quantity demanded exceeds quantity supplied
  - A shortage implies the market price is too low
- A surplus occurs when quantity supplied exceeds quantity demanded
  - A surplus implies the market price is too high

Shift in the Demand Curve

- A change in any variable *other than price* that influences quantity demanded produces a *shift in the demand curve* or a change in demand
- Factors that shift the demand curve include
  - Change in consumer incomes
  - Population change
  - Consumer preferences
  - Prices of related goods

    Substitutes Goods consumed in place of one another

    Complements Goods consumed jointly

Shift in the Supply Curve

- A change in any variable other than price that influences quantity supplied produces *a shift in the supply curve* or an change in supply.
- Factors that shift the supply curve include
  - Change in input costs
  - Increase in technology
  - Change in size of industry

Price Ceilings and Floors

- A *price ceiling* is a legal maximum that can be charged for a good
  - Results in a shortage of a product
  - Common examples include apartment rentals and credit card interest rates
- A *price floor* is a legal minimum that can be charged for a good
  - Results in a surplus of a product
  - Common examples include soybeans, milk, minimum wage