

Week 2 Overview

Supply and Demand

Overview

Welcome to your second module in Microeconomics Principles! This module we will cover the hallmark framework of the field: the supply and demand model. I am sure that if you knew any economics words before enrolling in this course those two words were supply and demand. This module you will finally learn what all the fuss is about.

By the end of this module, you will see that the beauty of the supply and demand model is that it is both simple and powerful. Nonetheless, it takes a little bit of work to develop it. And you want to make sure you understand it well because we will be using it quite a bit during the course. So we'll build it step by step, first focusing on deriving the demand curve and then moving on to the supply curve. Finally, after explaining the idea of market equilibrium, I will show you how to use the model to make predictions about market changes.

Goals and Objectives

After you actively engage in the learning experiences in this module, you should be able to:

- Identify what a market is.
- Identify the determinants of demand and supply for a good and service.
- Forecast what happens to equilibrium price and quantity as a result of a change in the market conditions.

Key Phrases/Concepts

Keep your eyes open for the following key terms or phrases as you complete the readings and interact with the lectures. These topics will help you better understand the content in this module.

- Equilibrium
- Supply shortage
- Supply surplus
- Difference between a change in quantity demanded/supplied and a change in demand/supply

Guiding Questions

Develop your answers to the following guiding questions while completing the readings and working on assignments throughout the week.

- What is the difference between a change in quantity demanded and a change in demand?
- What determinants of demand (supply) cause the demand (supply) curve to shift?

- What happens to the market price when there is a supply shortage (surplus)?

Optional Readings and Resources

- Chapter 3, *Microeconomics*, Krugman and Wells, 3rd Ed.
- [Econ Tutorial: Supply and Demand](#)