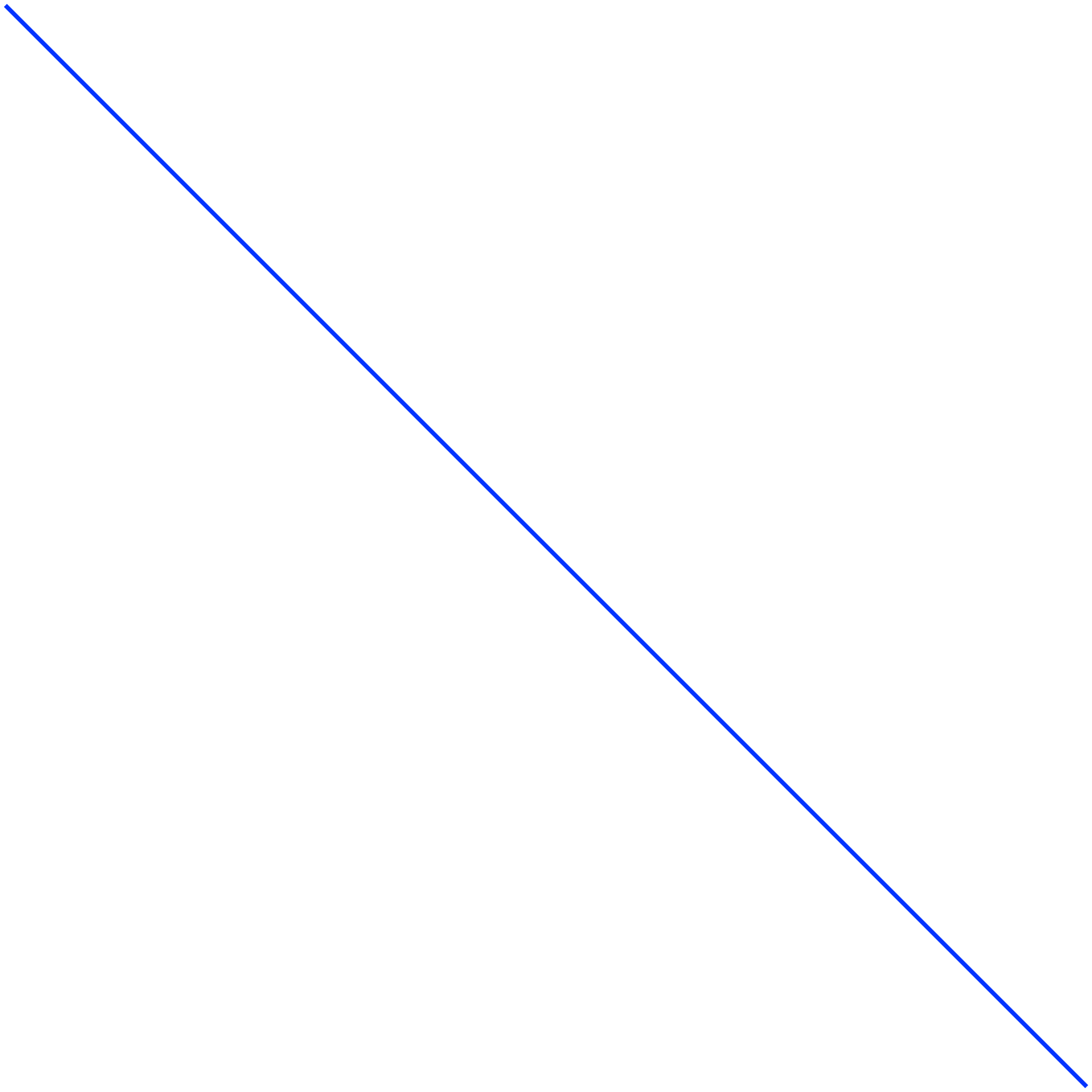


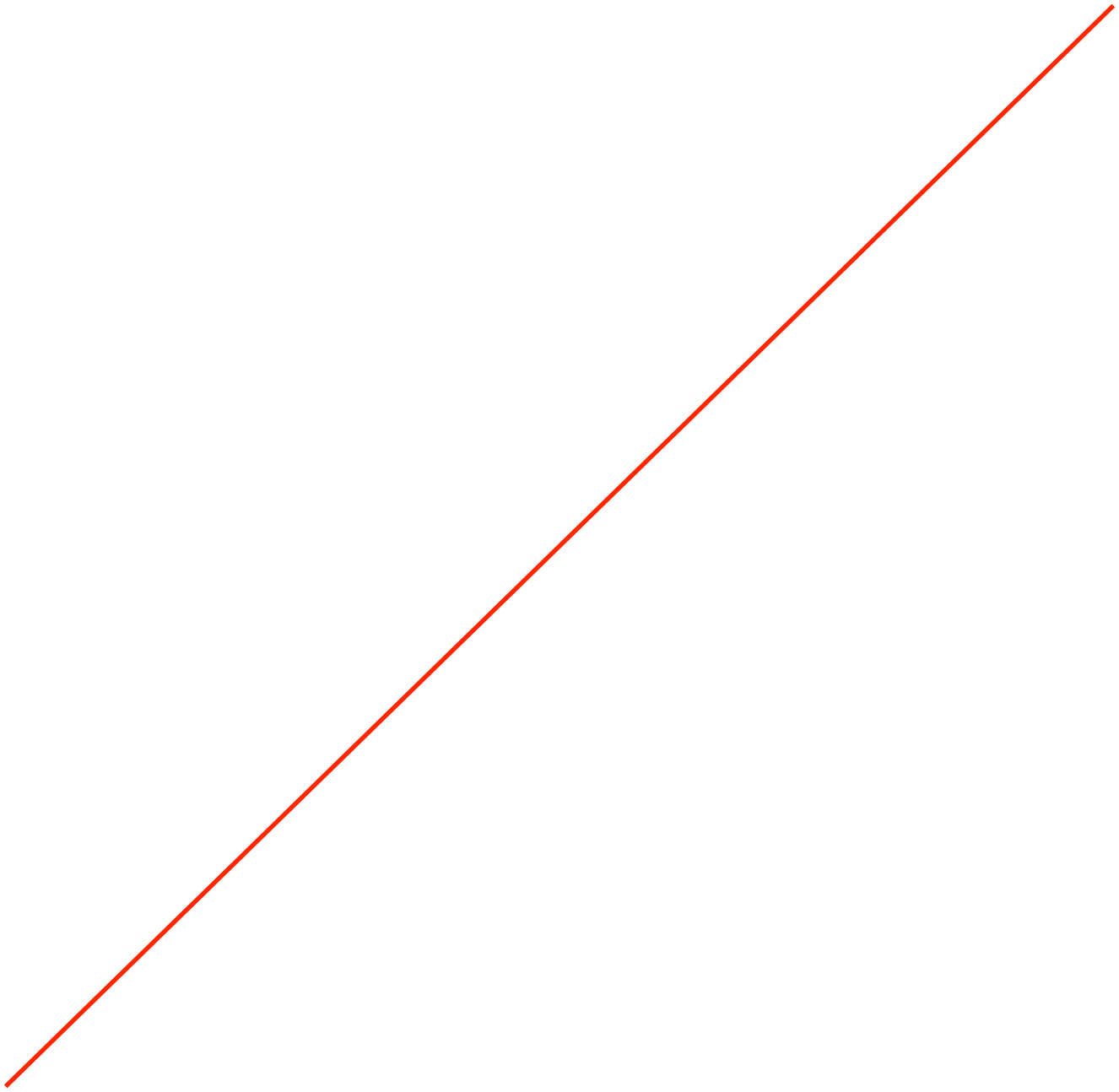


# Price











35



2.50

-----

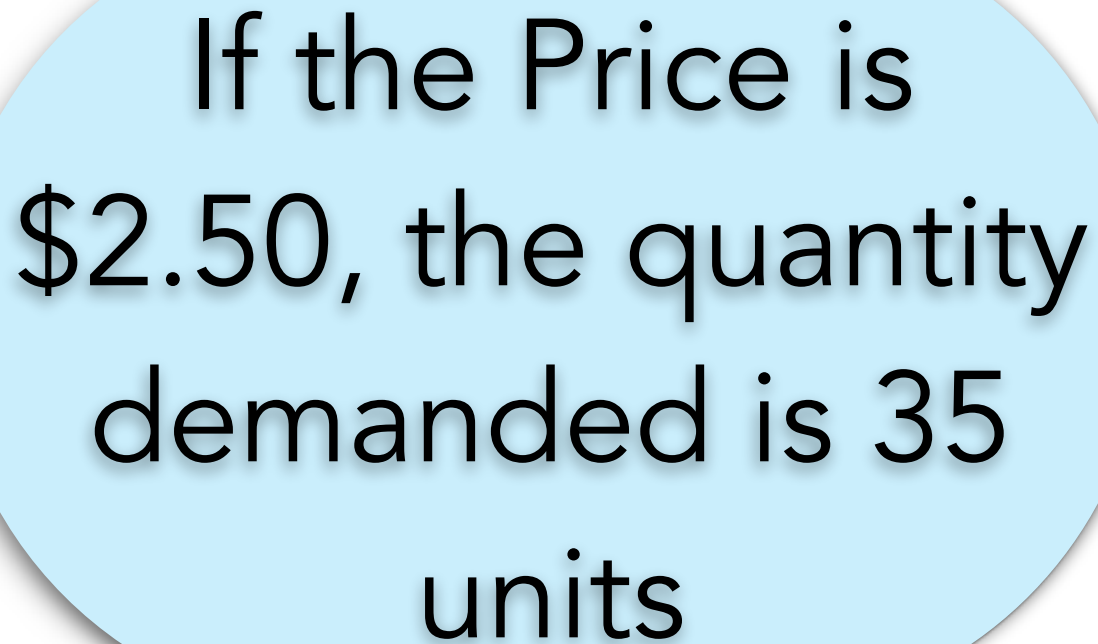


The Market is at Equilibrium

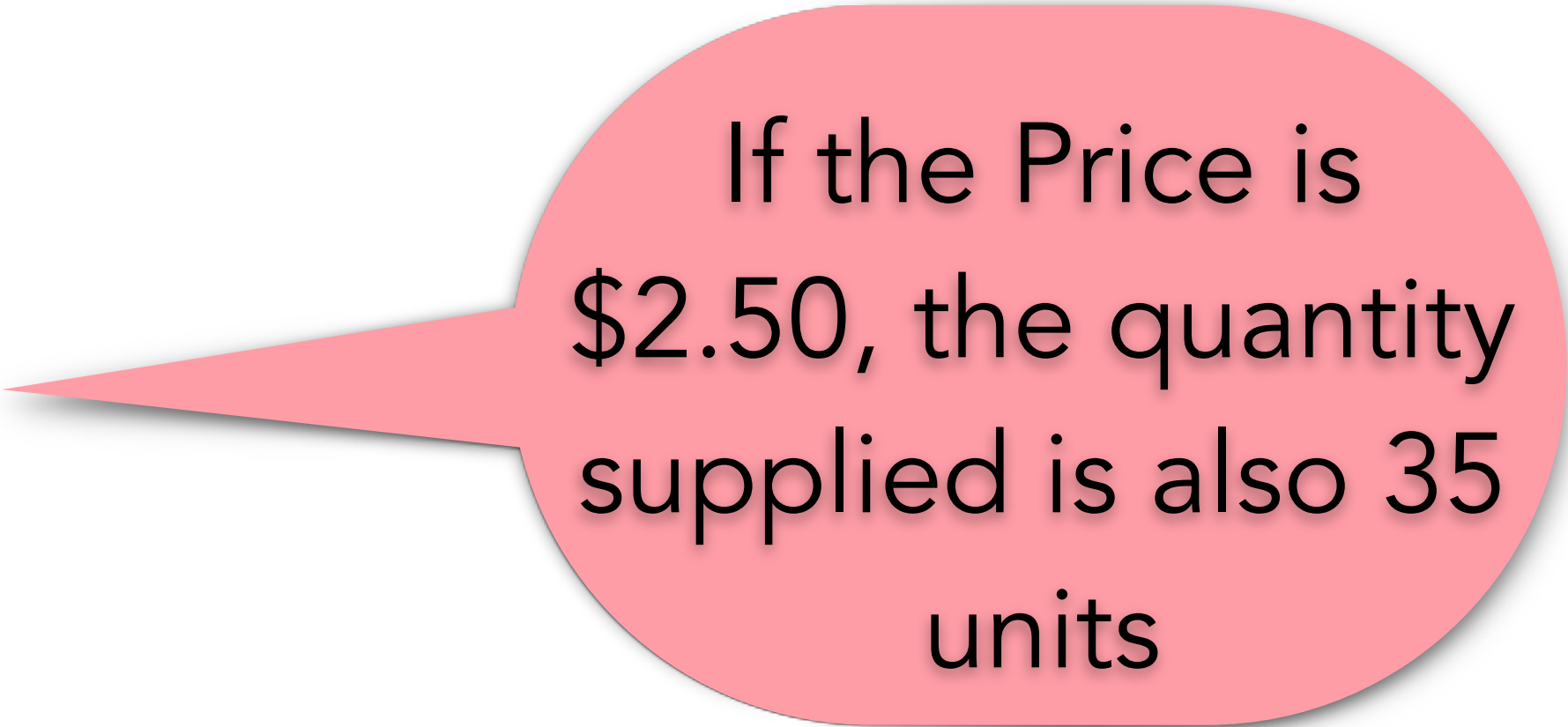
# Demand

Supply

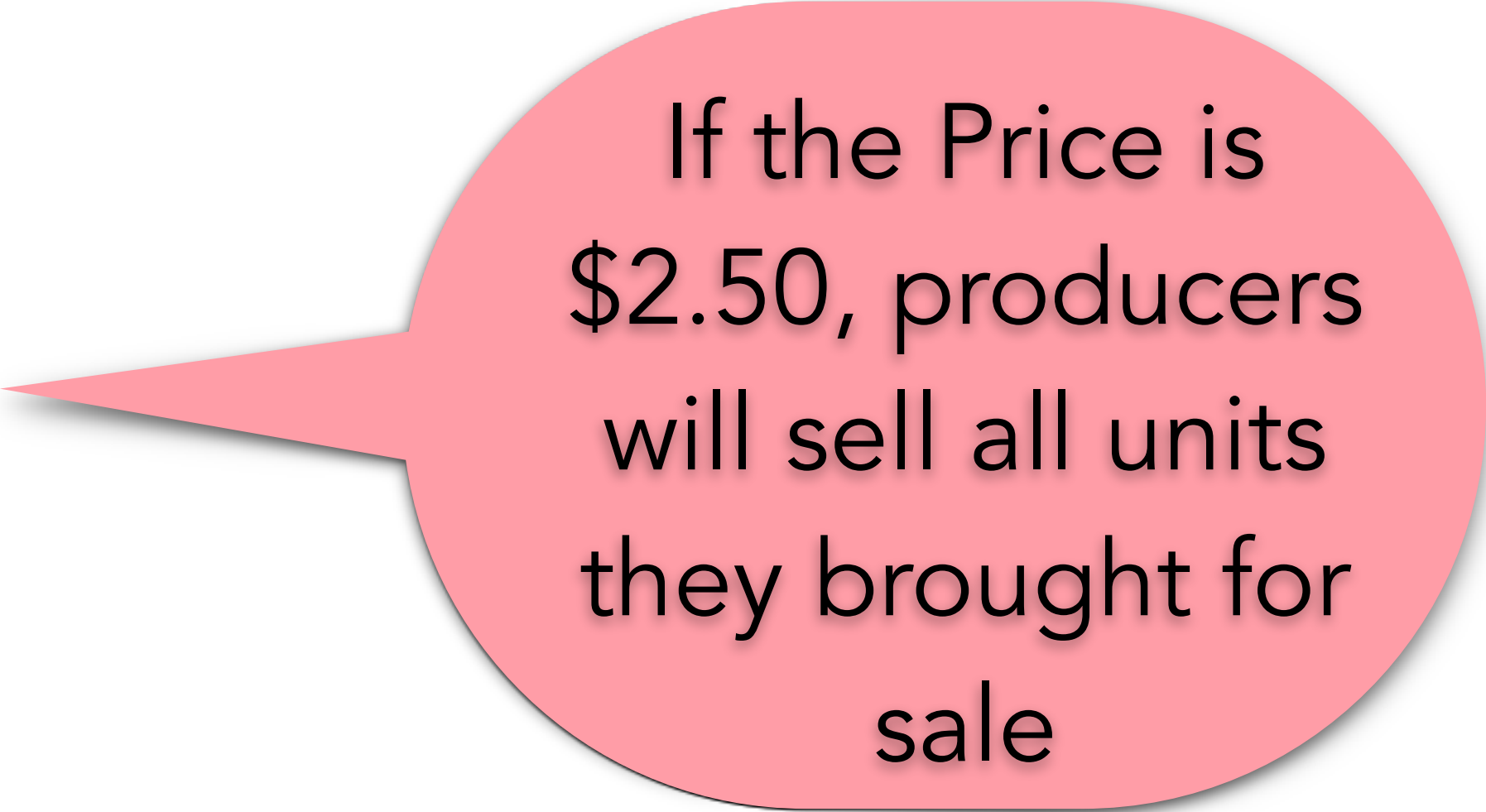
$$Q^d = Q^s$$



If the Price is  
\$2.50, the quantity  
demanded is 35  
units



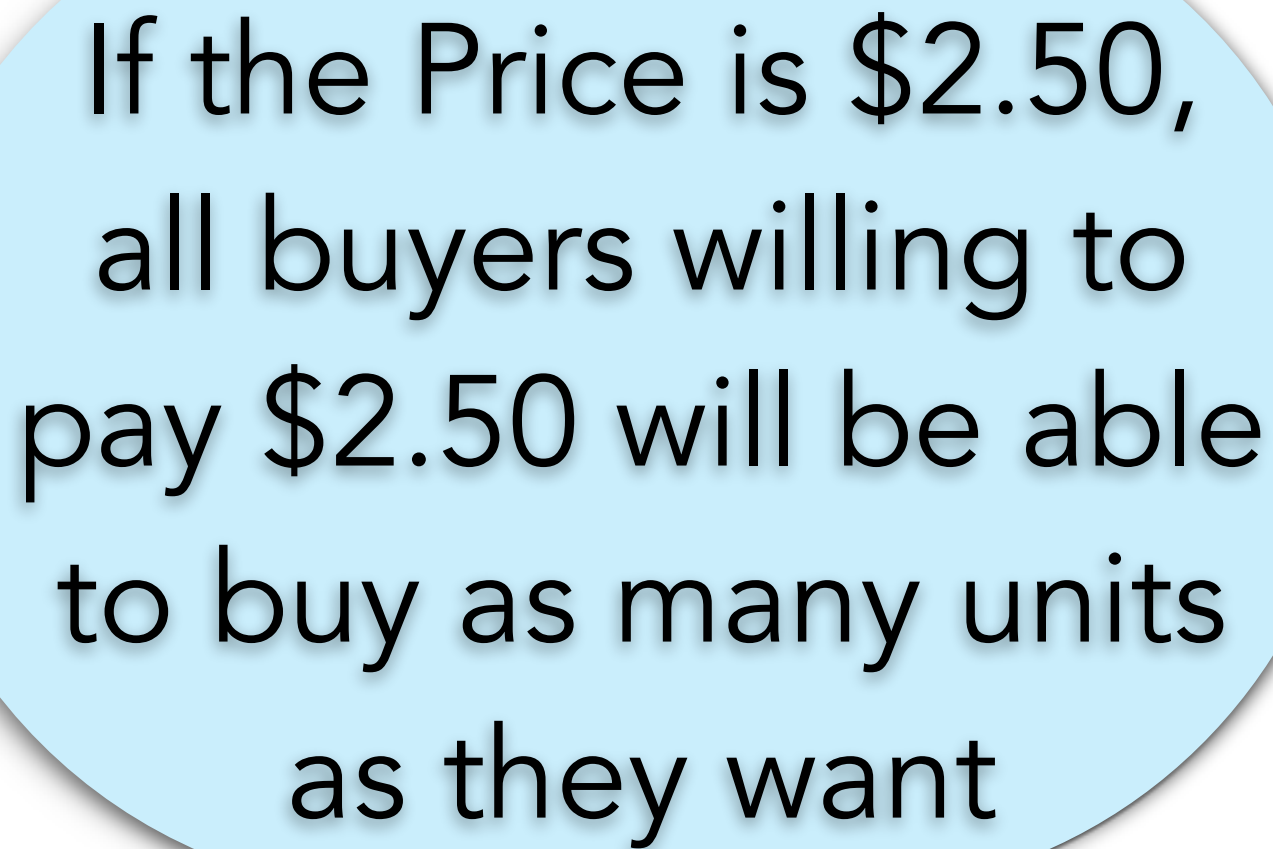
If the Price is  
\$2.50, the quantity  
supplied is also 35  
units



If the Price is  
\$2.50, producers  
will sell all units  
they brought for  
sale



# Market Forces: The Supply and Demand Model



If the Price is \$2.50,  
all buyers willing to  
pay \$2.50 will be able  
to buy as many units  
as they want



B

u

y

e

r



S

h

a



e

n



**r**



e

a

S



n

t











e

**r**

m



**r**

e



t

h

a

n



2



5



0

S

e





e

**r**

S



h

a



e

n



**r**

e



a

S



n

t



C

u



t

p

**r**



C

e

S

b



e





W



2



5



0



Equilibrium  $P = 2.50$

Equilibrium Q = 35

$$P_e = 2.50$$

$$Q_e = 35$$

Buyers have no  
reason to offer  
more than \$2.50

Sellers have no  
reason to cut  
prices below \$2.50



# Market Forces: The Supply and Demand Model

