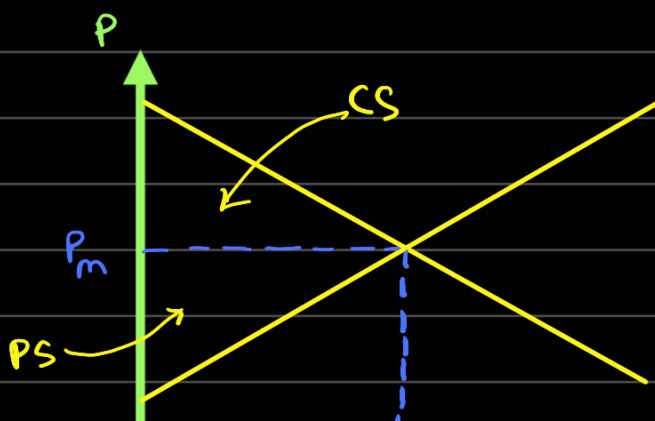
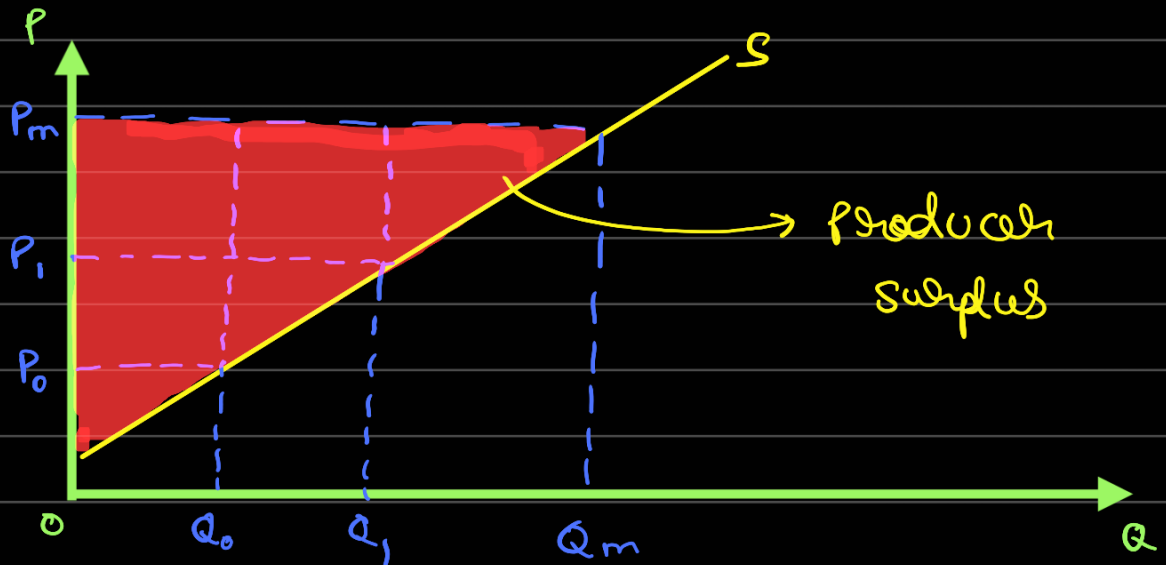


Day - 9

- Stable equilibrium: Achieved with the help of invisible hands
- Policies: For having different price than equilibrium, it creates a welfare loss.



$P_m \rightarrow$ market price, $P_w \rightarrow$ willing to pay

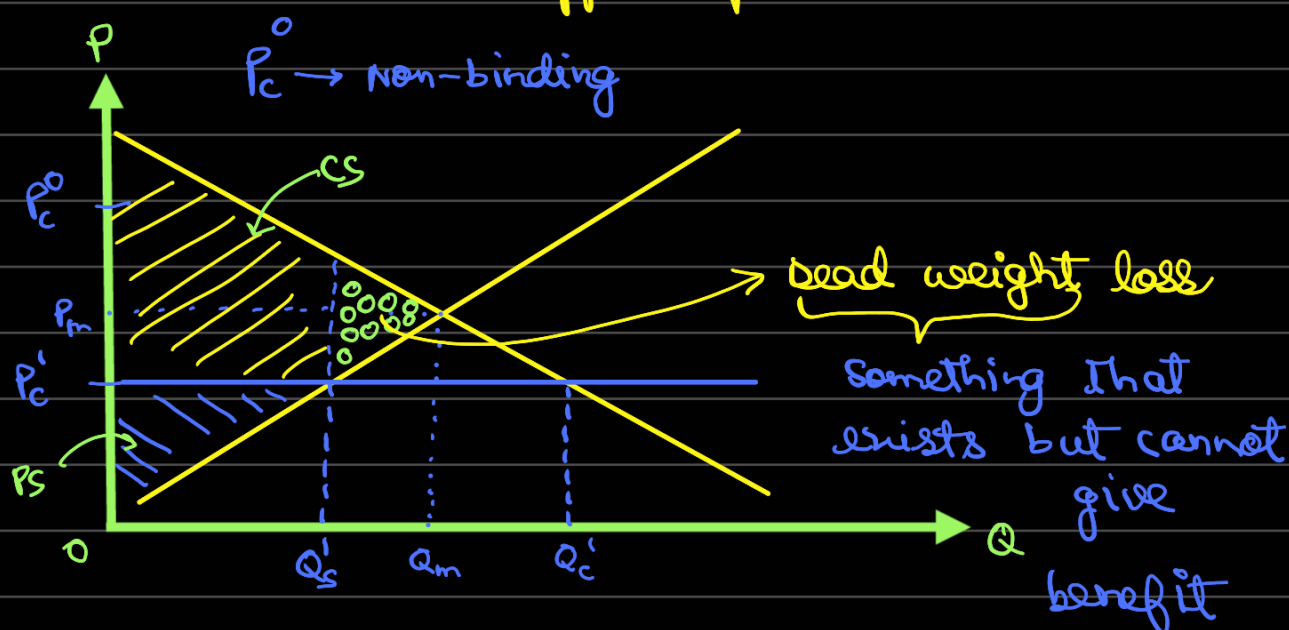


$$\text{Welfare} = PS + CS$$

- ☆ If producers and consumers interact in competitive market, price is determined by market forces.

→ Policies:

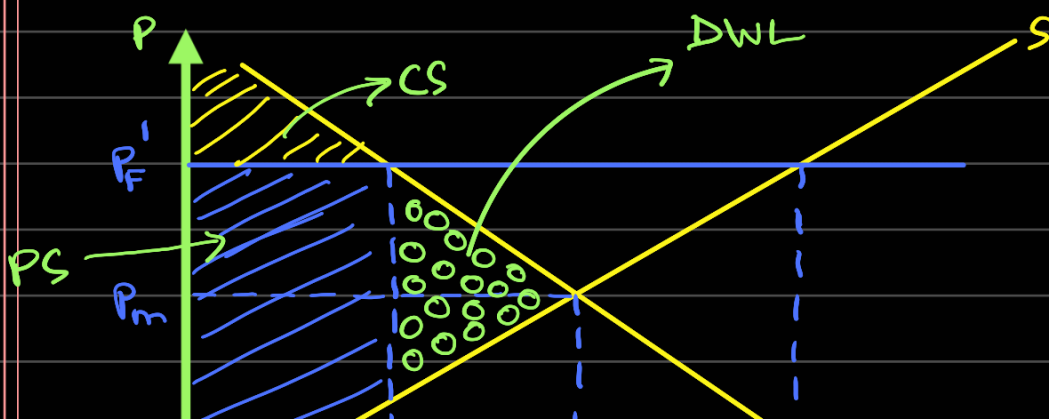
- Price ceiling
- Price floor - Eg: minimum wage, minimum support price.

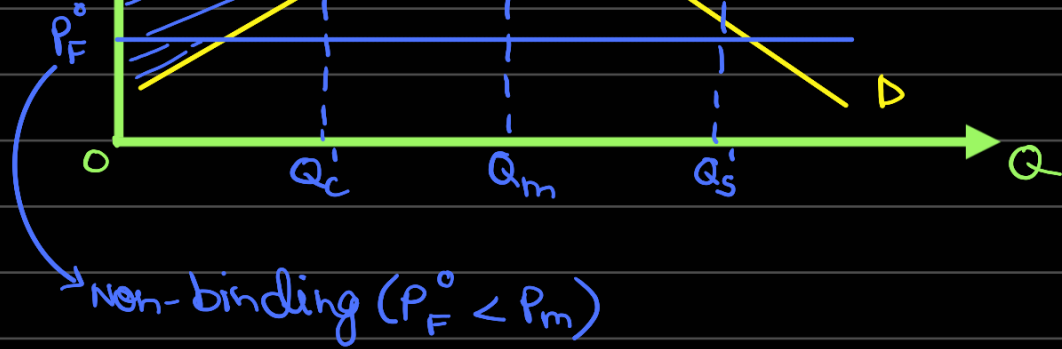


$$\text{Excess demand} = Q'_c - Q'_s$$

leads to -

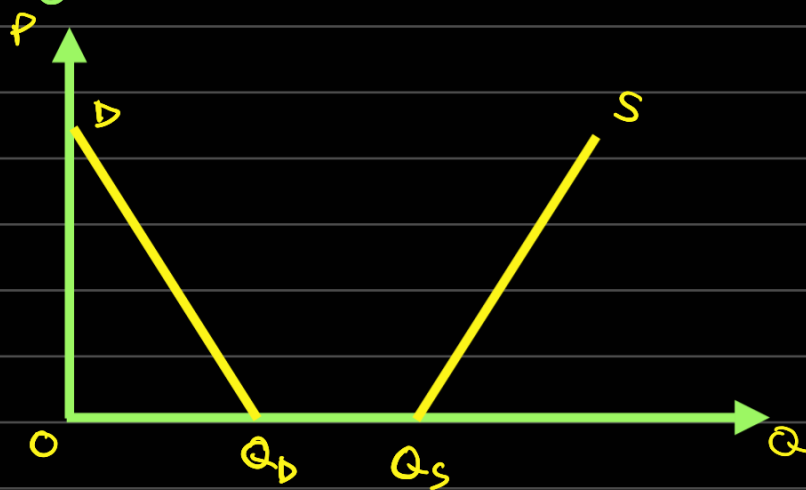
- Black market
- Queuing





Excess supply = $Q_s' - Q_c'$ → forcefully bought by government

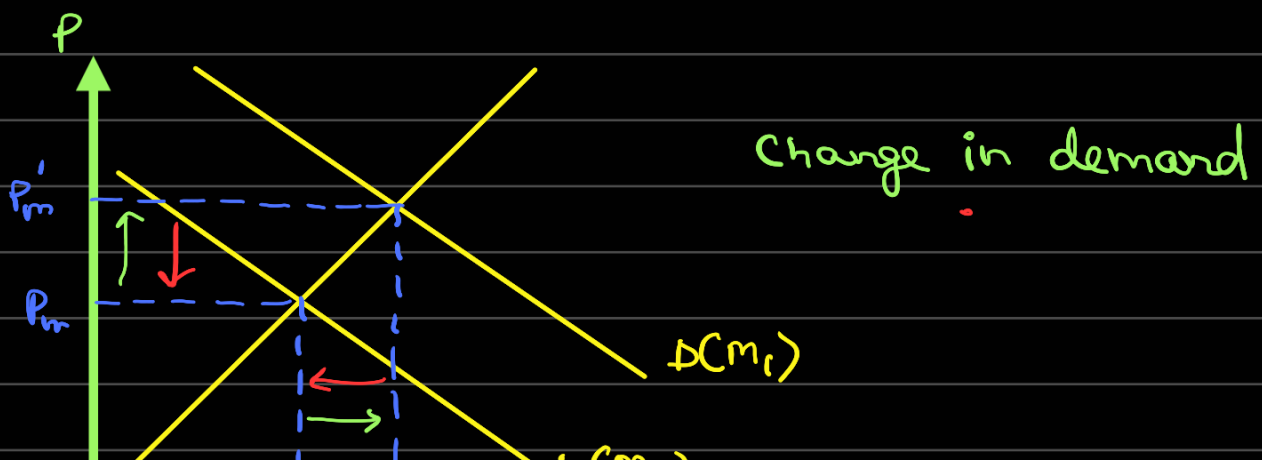
→ Free goods:



$Q_S > Q_D$ at $P=0 \Rightarrow$ free good

(The good must have economic value!)

→ Change in Demand vs change in quantity demanded -





Inferior good
Normal good

