Changes in Market Equilibrium 6.2

- **How do shifts in supply affect market equilibrium?**
- **How do shifts in demand affect market equilibrium?**
- **How can we use supply and demand curves to analyze changes in market equilibrium?**

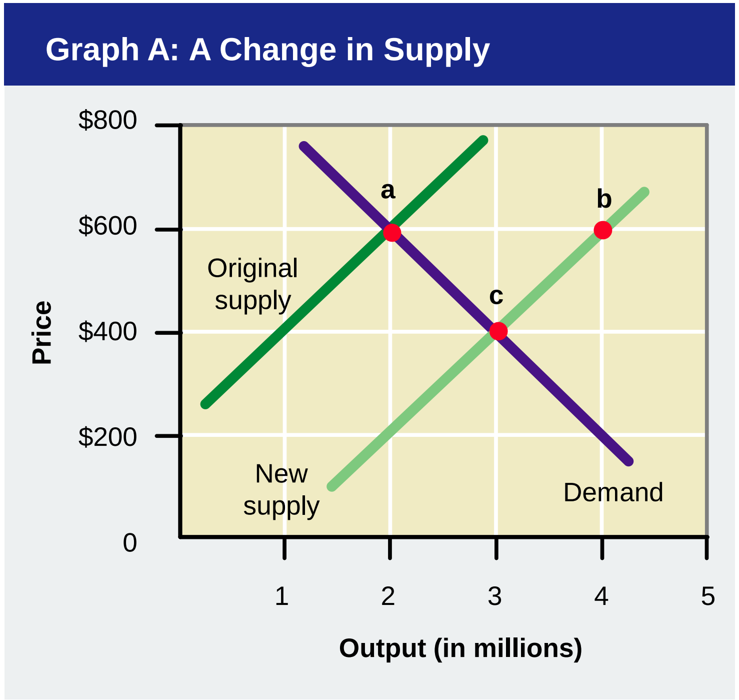
Shifts in Supply

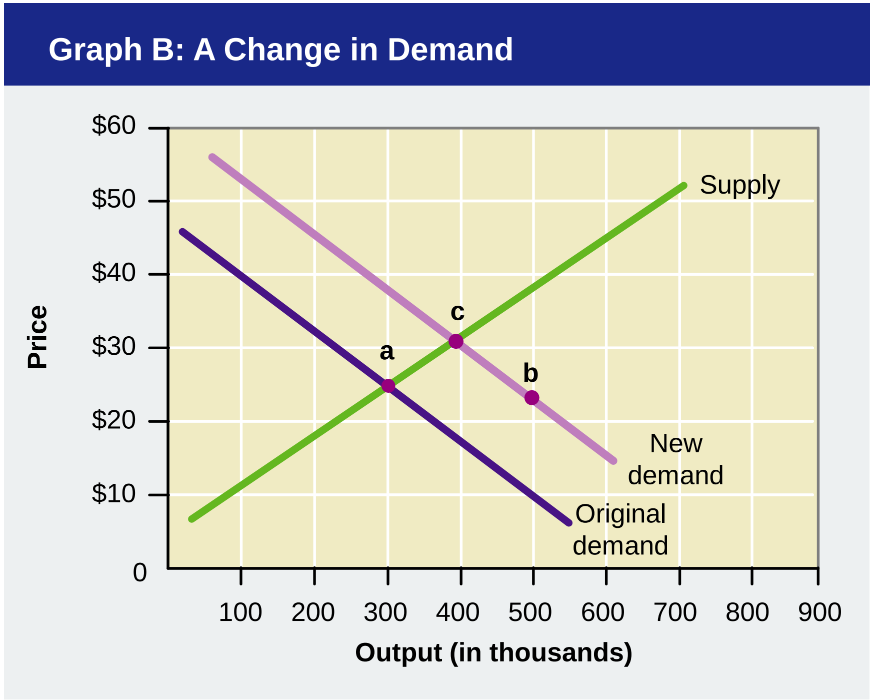
- **Understanding a Shift**
  - **Since markets tend toward equilibrium, a change in supply will set market forces in motion that lead the market to a new equilibrium price and quantity sold.**
- **Excess Supply**
  - **A surplus is a situation in which quantity supplied is greater than quantity demanded. If a surplus occurs, producers reduce prices to sell their products. This creates a new market equilibrium.**
- **A Fall in Supply**
  - **The exact opposite will occur when supply is decreased. As supply decreases, producers will raise prices and demand will decrease.**

Shifts in Demand

- **Excess Demand**
  - A shortage is a situation in which quantity demanded is greater than quantity supplied.
- **Search Costs**
  - Search costs are the financial and opportunity costs consumers pay when searching for a good or service.
- **A Fall in Demand**
  - When demand falls, suppliers respond by cutting prices, and a new market equilibrium is found.

Analyzing Shifts in Supply and Demand





- **Graph A shows how the market finds a new equilibrium when there is an increase in supply.**
- **Graph B shows how the market finds a new equilibrium when there is an increase in demand.**

Section 2 Assessment

1. When a new equilibrium is reached after a fall in demand, the new equilibrium has a

   (a) lower market price and a higher quantity sold.

   (b) higher market price and a higher quantity sold.

   (c) lower market price and a lower quantity sold.

   (d) higher market price and a lower quantity sold.

2. What happens when any market is in disequilibrium and prices are flexible?

   (a) market forces push toward equilibrium

   (b) sellers waste their resources

   (c) excess demand is created

   (d) unsold perishable goods are thrown out

Want to connect to the PHSchool.com link for this section? Click Here!

Section 2 Assessment

1. When a new equilibrium is reached after a fall in demand, the new equilibrium has a
   (a) lower market price and a higher quantity sold.
   (b) higher market price and a higher quantity sold.
   (c) lower market price and a lower quantity sold.
   (d) higher market price and a lower quantity sold.
2. What happens when any market is in disequilibrium and prices are flexible?
   (a) market forces push toward equilibrium
   (b) sellers waste their resources
   (c) excess demand is created
   (d) unsold perishable goods are thrown out

Want to connect to the PHSchool.com link for this section? Click Here!