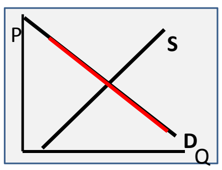
Getting Ready to Use the Market Model

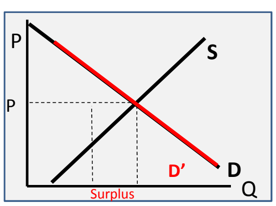
Analyzing What Happens When Curves Shift

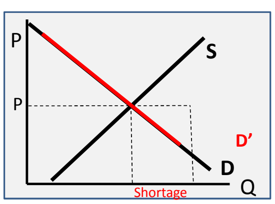
Using the Market Model 1

- Shifts in Demand
  - A Change in "Anything Else"
- The Questions to Ask:
  - What Changed?
  - Which Curve?
  - Which Way Does it Go?
  - Draw the New Curve
  - Observe New Equilibrium (X)
  - Compare with Old Equilibrium



Shifts in Demand

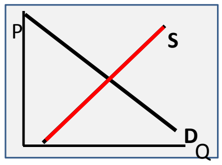




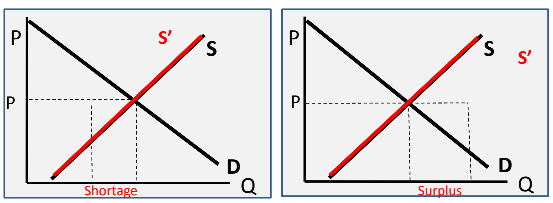
- Cause Disequilibrium
- Price Changes ➔ Buyer/Seller Responses
- Ultimately A New Equilibrium Emerges
- Compare Old & New Equilibrium

Using the Market Model 2

- Shifts in Supply:
  - A Change in "Anything Else"
- The Questions to Ask:
  - What Changed?
  - Which Curve?
  - Which Way Does it Go?
  - Draw the New Curve
  - Compare with Old Equilibrium



Shifts in Supply



- Cause Disequilibrium
- Price Changes ➔ Buyer/Seller Responses
- Ultimately A New Equilibrium Emerges

Wrap Up: The Steps in the Market Analysis Process:

- Start with Initial Equilibrium
- Alter Some Condition
- Shift Relevant Curves
- Compare New Equilib. Price/Quantity with Old

A Final Suggestion:

- PRACTICE....
- PRACTICE....
- PRACTICE
- Several Practice Tools Available