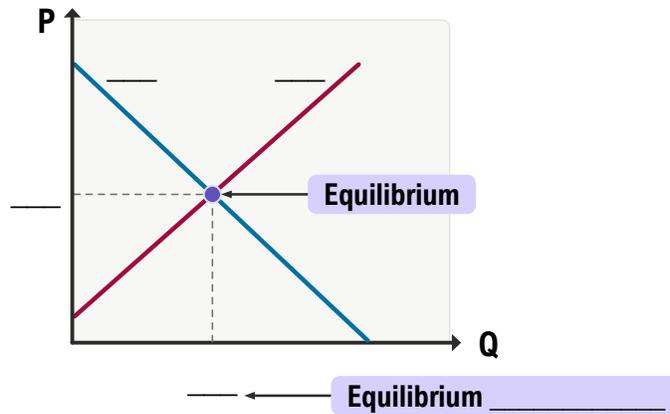


TOPIC: SUPPLY AND DEMAND TOGETHER: EQUILIBRIUM, SHORTAGE, AND SURPLUS

Equilibrium

- Supply and demand can be analyzed on the same graph.



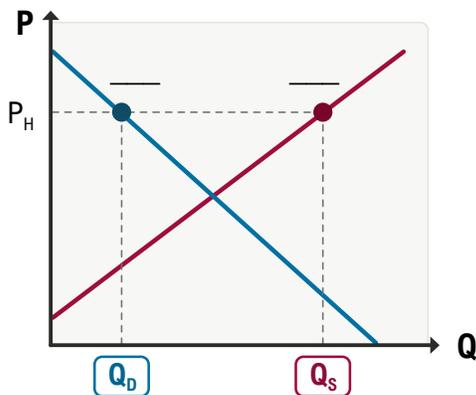
- The market is in **equilibrium** when .

Surplus and Shortage

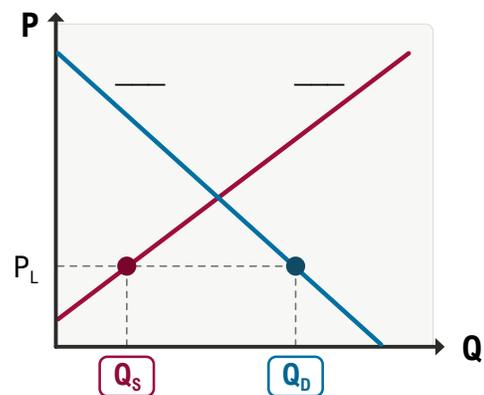
- Sometimes the market is not in **equilibrium**.

- When the price is set too _____, there is a **surplus**.

- When the price is set too _____, there is a **shortage**.



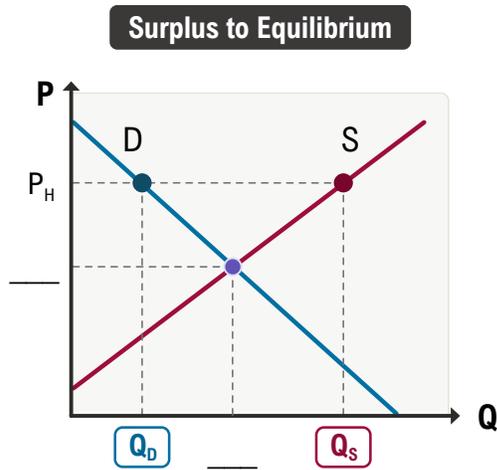
- When there is a **surplus**, .



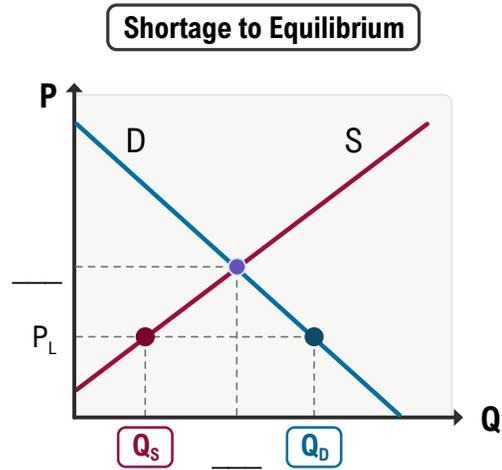
- When there is a **shortage**, .

The Law of Supply and Demand

◆ The **Law of Supply and Demand** states that market price continuously adjusts to reach _____.



◆ In a **surplus**, prices naturally _____.



◆ In a **shortage**, prices naturally _____.