

Markets

2017-18

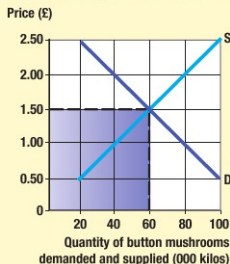
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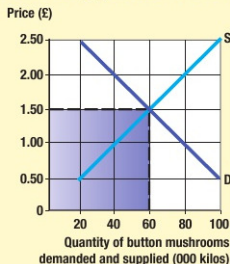
The demand for and supply of button mushrooms



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The demand for and supply of button mushrooms



- ▶ Since *equilibrium price* and *equilibrium quantity* is known, we can compute the *total revenue* at equilibrium:
$$TR = P \times Q$$

CHANGES IN DEMAND

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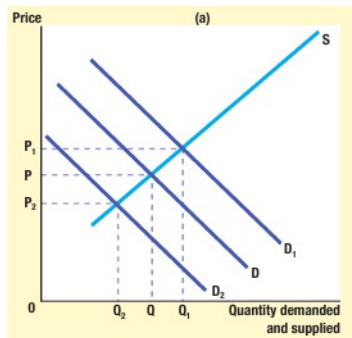
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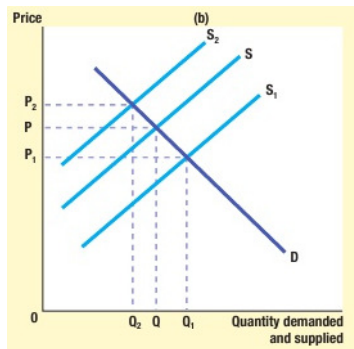
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WORKED EXAMPLE

The market for accommodation in a UK city



CHANGES IN SUPPLY AND DEMAND TOGETHER

- ▶ if supply and demand change simultaneously

CHANGES IN SUPPLY AND DEMAND TOGETHER

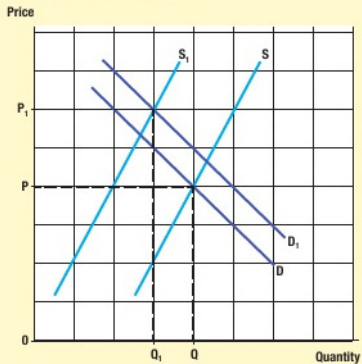
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CHANGES IN SUPPLY AND DEMAND TOGETHER

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CHANGES IN SUPPLY AND DEMAND TOGETHER

A change in supply and demand



CHANGES IN SUPPLY AND DEMAND TOGETHER

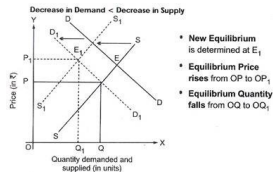
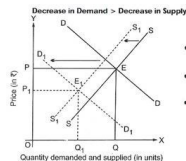
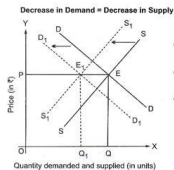
BOTH DEMAND AND SUPPLY DECREASE

CHANGES IN SUPPLY AND DEMAND TOGETHER

BOTH DEMAND AND SUPPLY DECREASE

The effect on price and quantity depends on

- ▶ steepness of the curves
- ▶ amplitude of the shift



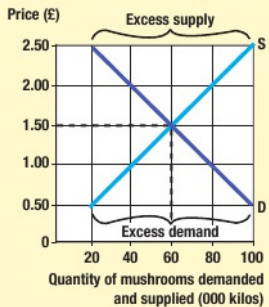
DISEQUILIBRIUM IN THE MARKET

- ▶ *Excess demand*: if the price charged in the market is *below* the equilibrium price

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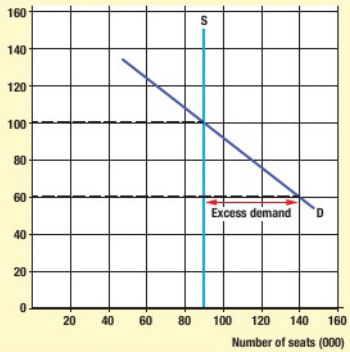
- ▶ *Excess demand*: if the price charged in the market is *below* the equilibrium price
- ▶ *Excess supply*: if the price charged is set *above* the equilibrium price

The excess demand for and excess supply of button mushrooms



The market for FA Cup Final tickets

Price per seat (£)



KEY TERMS

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- ▶ **Total revenue or total expenditure:** the amount of revenue generated from the sale of goods calculated by multiplying price by quantity in a given period of time