Introduction to Economics I
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Market

Market, a means by which the exchange of goods and services takes place as a result of buyers and sellers being in contact with one another, either directly or through mediating agents or institutions.

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Supply and demand

Supply and demand, in economics, is the relationship between the quantity of a commodity that producers wish to sell and the quantity of a commodity that consumers wish to buy at various prices .

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Market Equilibrium

In market equilibrium, demand should be equal to the supply.

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The law of demand

The law of demand says that at higher prices, buyers will demand less of an economic good.

- The law of supply says that at higher prices, sellers will supply more of an economic good.
- These two laws interact to determine the actual market prices and volume of goods that are traded on a market.

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The law of supply

The law of supply says that at higher prices, sellers will supply more of an economic good.

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The law of demand & The law of supply

These two laws interact to determine the actual market prices and volume of goods that are traded on a market.

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An Example

where Qd and Qs is quantity demanded and quantity supplied, respectively. P denotes the price level.

What is the equilibrium price level and output?

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Solution

$Q_d = 100 - 4P$

$Q_s = 6P$

In equilibrium $Q_d = Q_s$.

$100 - 4P = 6P$

$100 = 10P$

$P = 10$ is the equilibrium price level.

$100 - 4(10) = 60$ OR $6(10) = 60$ is the equilibrium output level.