NAME Chalida Akkapaibaan. STUDENT ID 6204640418

CASE 1 Decrease in Demand & Decrease in Supply

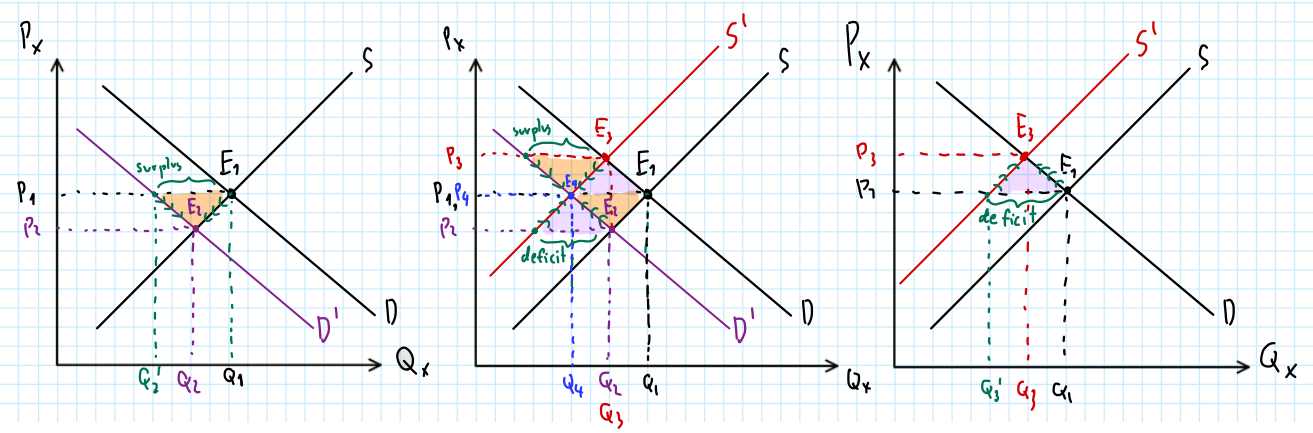
Consider Market for bakery store.

EVENT 1 (On Demand Side)

Buyers think that the taste of the bread is worse than before

EVENT 2 (On Supply Side)

Sellers are struggle with the temperature controlled machine which made the bread has mold quicklier.



Full Explanation

Graph 1: when buyers think the taste of bread is change, the demand curve for bread will shifts to the left. from $D \rightarrow D'$. From the price (p_1), it will be excess supply ($Q^S > Q^D$) ($Q_1 > Q_2'$) or surplus. To get rid of unsold, sellers need to decrease the price ($p_1 \rightarrow p_2$) (price adjustment) to rise the quantity demanded and drop the quantity supplied ($Q_2' \rightarrow Q_2 \leftarrow Q_1$) until meet Q_2 or new equilibrium ($E_1 \rightarrow E_2$) which has no excess. at p_2.

Graph 3: when sellers are struggle with machine, the supply curve for bread will shifts to the left. from $S \rightarrow S'$. From the price (p_1), it will be excess demand ($Q^D > Q^S$) ($Q_1 > Q_3'$) or deficit. To get rid of deficient, Sellers need to increase the price ($p_1 \rightarrow p_3$) (price adjustment) to drop the quantity demanded and rise quantity supplied ($Q_3' \rightarrow Q_3 \leftarrow Q_1$) until meet Q_3 or new equilibrium ($E_1 \rightarrow E_3$) which has no excess. at p_3.

Graph 2: when we combined graph 1 & 3 together, we will get graph 2 which shows the decrease in demand and decrease in supply. At quantity $Q_{2,3}$, it shows the surplus on point p_3 and deficit on point p_2. To solve these 2 problems, we need to find the middle price which is point p_4. (price adjustment) It is the same level of the price (p_1) in the begining. The quantity drop from $Q_{2,3} \rightarrow Q_4$ and change the E_1 to E_4 at price p_4 (or p_1)

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CASE 2 Increase in Demand & Increase in Supply

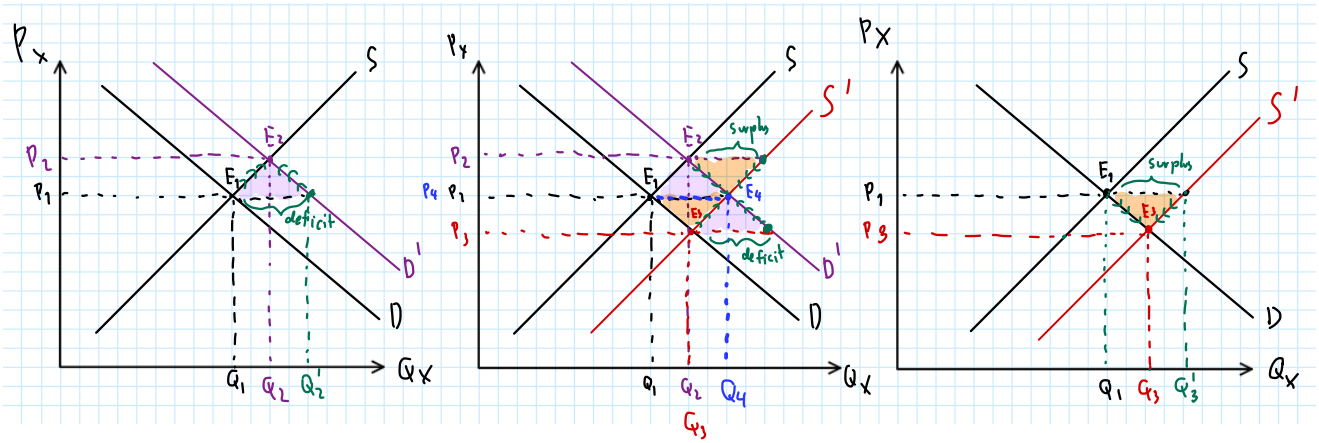
Consider Market for clothing store

EVENT 1 (On Demand Side)

Buyers are obsess with the new trend. (more buyers in the market)

EVENT 2 (On Supply Side)

The number of sellers in the market is more



Graph 1 Graph 2 Graph 3

Full Explanation!

Graph 1 : when buyers obsess with the new trend, the demand curve for cloth shifts to the right from D → D'. From the price (P_1), it will be excess demand or deficit ($Q^D > Q^S$) ($Q_2' > Q_1$). To get rid of deficient, sellers need to rise the price (price adjustment) from $P_1 \rightarrow P_2$ so it affect the quantity demanded to drop and rise the quantity supplied ($Q_1 \rightarrow Q_2 \leftarrow Q_2'$) to the point Q_2 and change equilibrium from $E_1 \rightarrow E_2$ which has no excess at P_2.

Graph 3 : When numbers of sellers in market is more, the supply curve for cloth shifts to the right from $S \rightarrow S'$. From the price (P_1), it will be excess supply ($Q^S > Q^D$) ($Q_3' > Q_1$) or surplus. To get rid of unsold, sellers need to decrease (price adjustment) the price ($P_1 \rightarrow P_3$) to rish the quantity demanded and drop the quantity supplied ($Q_1 \rightarrow Q_3 \leftarrow Q_3'$) until meet Q_3 or new equilibrium ($E_1 \rightarrow E_3$) which has no excess at P_3.

Graph 2 : When we combined graph 1 & 3 together, we will get graph 2 which shows the increase in demand and increase in supply. we need at quantity $Q_{2,3}$, it shows the surplus on point P_2 and deficit on point P_3. to find the mid-price on point P_4 which is the same level as P_1 (begining price) but rise in quantity from $Q_{2,3} \rightarrow Q_4$ and equilibrium change to $E_1 \rightarrow E_4$ at price P_4.

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CASE 3 Decrease in Demand & Increase in Supply

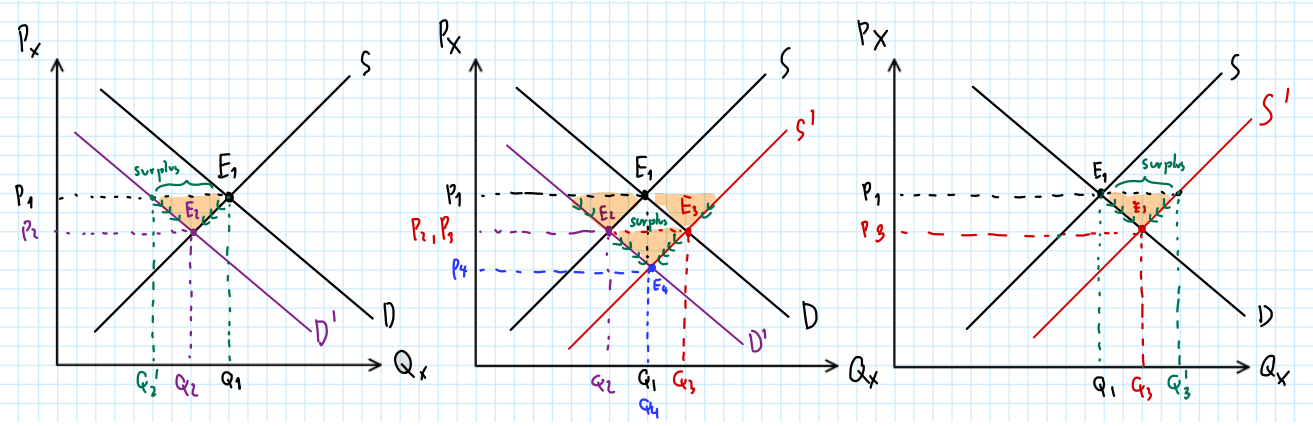
Consider Market for jewelry shop

EVENT 1 (On Demand Side)

buyers' income decrease.

EVENT 2 (On Supply Side)

the technology of jewelry production is better



Graph 1 Graph 2 Graph 3

Full Explanation

Graph 1: when buyers' income decrease, the demand curve for jewelry will shifts to the left. from $D \rightarrow D'$. From the price (p_1), it will be excess supply $(Q^S > Q^D)$ $(Q_1 > Q_2')$ or surplus. To get rid of unsold, sellers need to decrease the price $(p_1 \rightarrow p_2)$ (price adjustment) to rise the quantity demanded and drop the quantity supplied $(Q_2' \rightarrow Q_2 \leftarrow Q_1)$ until meet Q_2 or new equilibrium $(E_1 \rightarrow E_2)$ which has no excess. at p_2

Graph 3: When the technology of jewelry production is better, the supply curve for jewelry shifts to the right from $S \rightarrow S'$. From the price (p_1), it will be excess supply $(Q^S > Q^D)$ $(Q_3' > Q_1)$ or surplus. To get rid of unsold, sellers need to decrease (price adjustment) the price $(p_1 \rightarrow p_3)$ to rish the quantity demanded and drop the quantity supplied $(Q_1 \rightarrow Q_3 \leftarrow Q_3')$ until meet Q_3 or new equilibrium $(E_1 \rightarrow E_3)$ which has no excess. at p_3.

Graph 2: When we combined graph 1 & 3 together we will get graph 2 which shows the decrease in demand and increase in supply. At price point $(P_{2,3})$ shows excess supply or surplus $(Q^S > Q^D)$ or $(Q_3 > Q_2)$. To get rid of unsold, price adjustment sellers need to decrease the price which will attract buyers. $(p_{2,3} \rightarrow p_4)$ $(Q_2 \rightarrow Q_1 \leftarrow Q_3)$ until the quantity meet the Q_1 point (the same level of quantity in the E_1 equilibrium) and change to E_4 equilibrium at p_4.

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CASE 4 Increase in Demand & Decrease in Supply

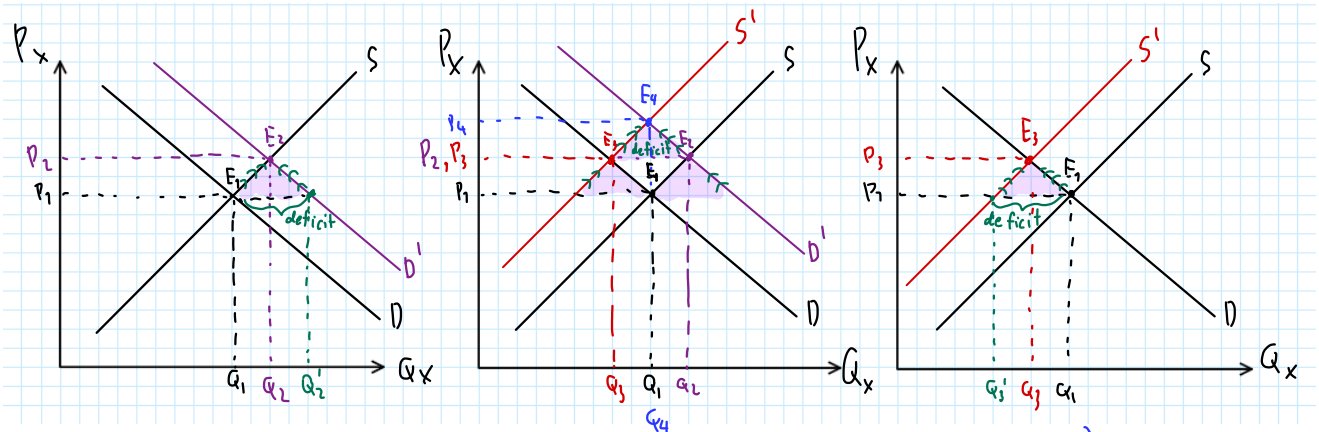
Consider Market for Coffee shop.

EVENT 1 (On Demand Side)

More buyers interesting in coffee in the market.

EVENT 2 (On Supply Side)

The coffee shop are closing because of the price increased in raw materials.



Graph 1 Graph 2 Graph 3

Full Explanation

Graph 1 : when more buyers in the market, the demand curve for coffee shifts to the right from D → D'. From the price (P_1), it will be excess demand or deficit ($Q^D > Q^S$) ($Q_1' > Q_1$). To get rid of deficient, sellers need to rise the price (price adjustment) from $P_1 \rightarrow P_2$ so it affect the quantity demanded to drop and rise the quantity supplied ($Q_1 \rightarrow Q_2 \leftarrow Q_2'$) to the point Q_2 and change equilibrium from $E_1 \rightarrow E_2$ which has no excess at P_2.

Graph 3 : when raw materials are more expensive, the supply curve for coffee will shifts to the left. from S → S'. From the price (P_1), it will be excess demand ($Q^D > Q^S$) ($Q_1 > Q_3'$) or deficit. To (price adjustment) get rid of deficient, sellers need to increase the price ($P_1 \rightarrow P_3$) to drop the quantity demanded and rise quantity supplied ($Q_3' \rightarrow Q_3 \leftarrow Q_1$) until meet Q_3 or new equilibrium ($E_1 \rightarrow E_3$) which has no excess. at P_3.

Graph 2 : when we combined graph 1 & 3 together, we will get graph 2 which shows the inc. in demand and dec. in supply. At price $P_{2,3}$, it shows the excess demand or deficit ($Q_D > Q_S$) ($Q_2 > Q_3$). To get rid of deficient, sellers need to increase the price from $P_{2,3} \rightarrow P_4$ which will drop quantity demanded and increase quantity supplied ($Q_3 \rightarrow Q_1 \leftarrow Q_2$) change equilibrium $E_1 \rightarrow E_2$ at price point P_4.