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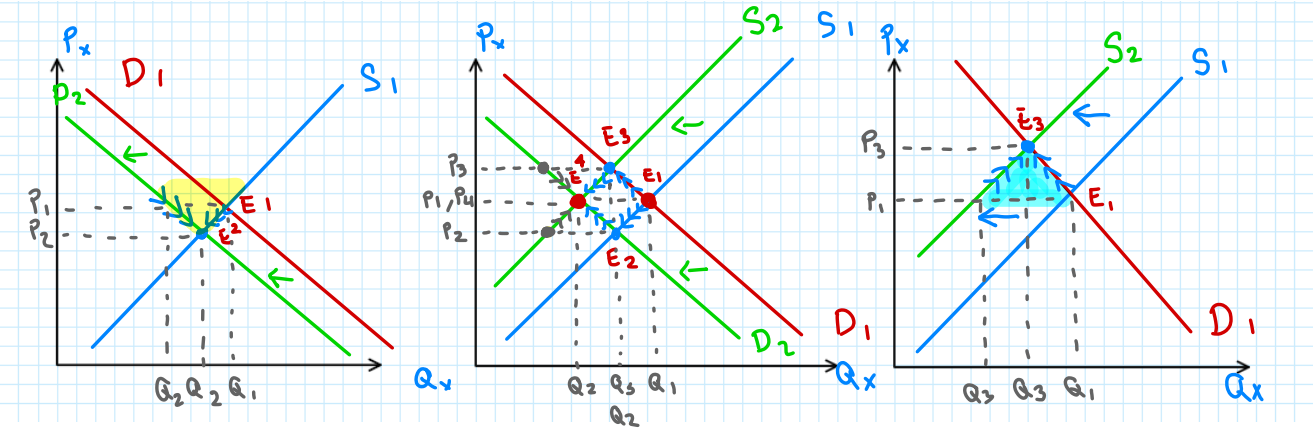
CASE 1 Decrease in Demand & Decrease in Supply

Consider Market for Beef store

EVENT 1 (On Demand Side) – Cow got desease from abroad lead to less people want to consume beef.

EVENT 2 (On Supply Side) – because of the disease less cow are delivered to the butcher



Full Explanation – for graph 1, news are saying that Thai's cow are infected, so the demand curve will shift to the left from $D_1 \rightarrow D_2$, – As the demand curve shift there will be a surplus because quantity supplied is more than quantity demanded.
– This end up causing the price move toward the curve and meet each other at point E_1 forming new equilibrium according to the law.
– And in graph 3, butcher tend to find beef harder than before, so the supply curve shift to the left $S_1 \rightarrow S_2$ causing a deficit in the market. Those new curve also move together and create a new equilibrium at E_2.
– To wrap the two graph up, graph 2, the shift of both curve create a new equilibrium E_3 by the 2 equilibrium E_1 and E_2 meet each other.
– Implying that both quantity supplied and demanded have decreased at any price.

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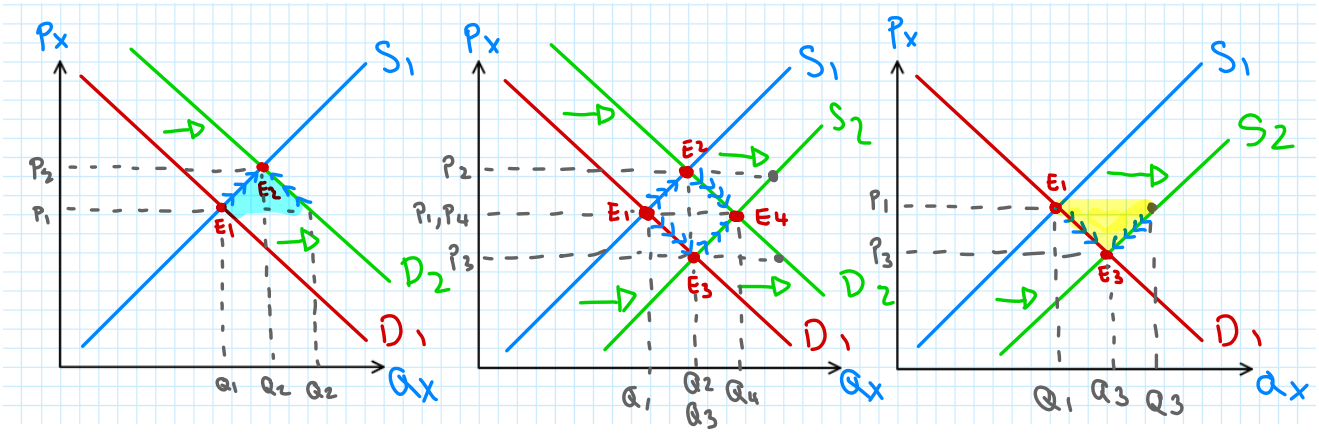
CASE 2 Increase in Demand & Increase in Supply

Consider Market for fruit

EVENT 1 (On Demand Side) – season fruit are fully grown in the Esan area so more people want to consume it.

EVENT 2 (On Supply Side) – while fruit store also want to get more fruit to sell it to the customer



Full Explanation! – graph 1, season fruit has more taste on it this month, the demand curve shift right (P_1 to P_2) causing Equilibrium to form a new point (E_2) by the price and quantity move toward each other according to the law.

– Also deficit occured because quantity demanded less than quantity supplied.

– For graph 3, the supply curve shift right (S_1 to S_2) due to more fruit store buy more fruits, causing equilibrium change from E_1 to E_3 toward the line and also surplus occured in the market.

– when both meet at graph 2, the 2 equilibrium (E_2 and E_3) find the perfect equilibrium by moving toward the line and meet each other at E_4, implying that both quantity supplied and demanded have increased at any price.

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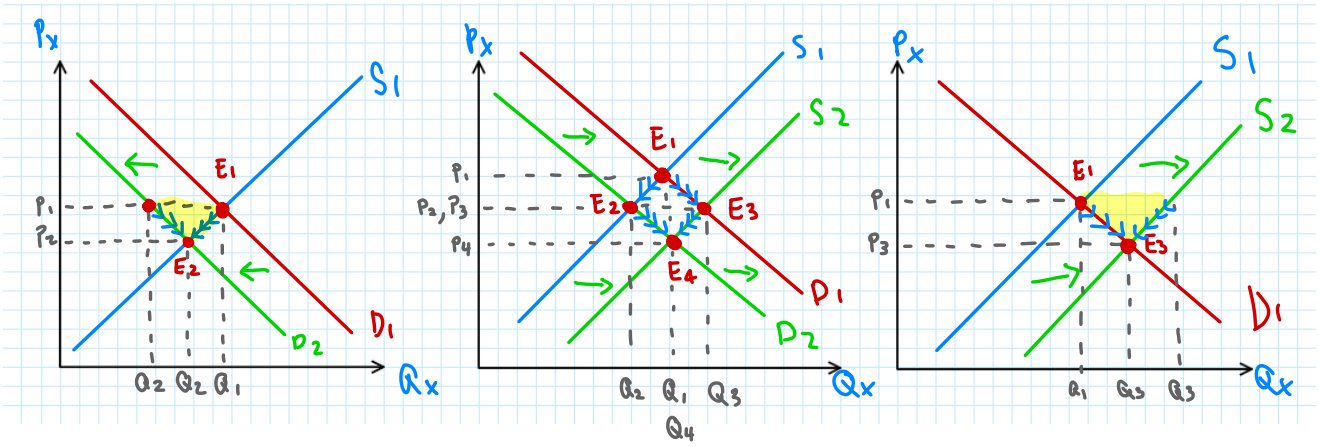
CASE 3 Decrease in Demand & Increase in Supply

Consider Market for CD

EVENT 1 (On Demand Side) – less people buy CD due to online music.

EVENT 2 (On Supply Side) – technology improve to produce more CD easily.



Full Explanation

- graph 1, more people listen to online music make CD demand curve shift down. ($D_1 \rightarrow D_2$) there will be a surplus or excess supply.
- The store could lower the price so the both could meet up a new equilibrium E2 without surplus.
- graph 3, more technology to produce CD cause supply curve to increase (S_1 to S_2), same as graph 1 there will be a surplus which seller could decrease the price to make a new equilibrium.
- Overall both E_2, E_3 would create another surplus in the graph if merge they could all lower the price to meet at E_4 for the perfect situation.

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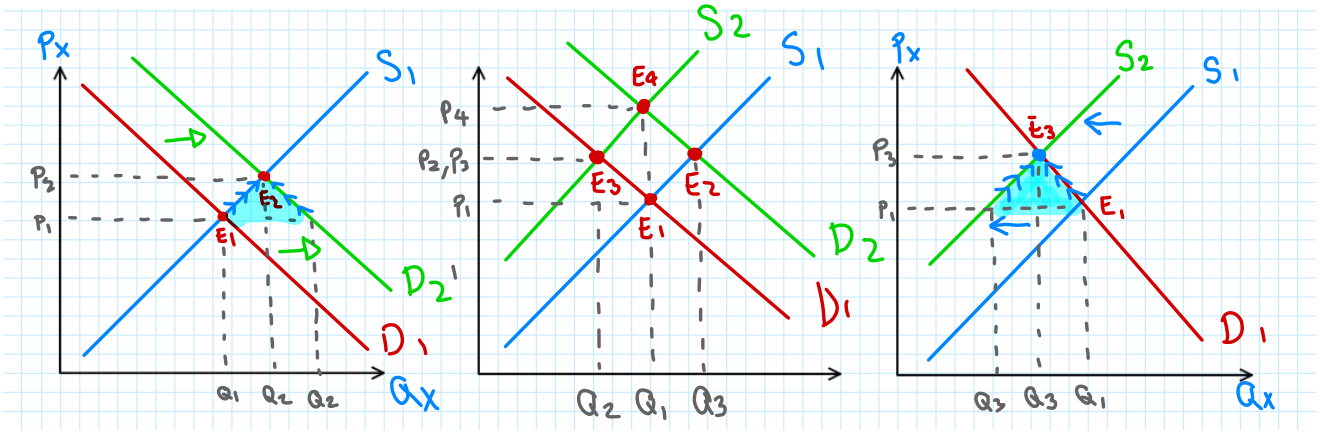
CASE 4 Increase in Demand & Decrease in Supply

Consider Market for truffle

EVENT 1 (On Demand Side)- more people nowaday like to eat truffle mushroom, more consumer

EVENT 2 (On Supply Side) - less truffle available due to low season.



Full Explanation - In graph 1, when truffle trend increase, the demand curve shift to the right from (D_1 to D_2). Excess supply or deficit occured, the Italian restaurant might have to increase the price in order to increase quantity supplied and lower quantity demanded to match the new equilibrium without any deficit

- In graph 3, when it's truffle low season it's much more harder to find truffle even though normal is already hard, the supply curve shift left and also make a deficit. The restaurant have to do the same, increase the price to meet the new equilibrium.

- To conclude, E_3 and E_2 show inadequate amount of quantity supplied and demanded to fix this big problem, seller must increase the price until the equilibrium meet each other at perfect spot which is E_4.